Ziyuanyuan Holdings Group Limited
紫元元控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8223)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*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.*

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)

The Directors of the Company are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2021, together with the unaudited comparative figures for the corresponding periods in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Three months ended		**Six months ended**	
	Notes	**30.6.2021** ***RMB'000*** **(Unaudited)**	30.6.2020 *RMB'000* (Unaudited)	**30.6.2021** ***RMB'000*** **(Unaudited)**	30.6.2020 *RMB'000* (Unaudited)
Revenue	*3*				
Finance leasing income		**12,815**	14,195	**25,678**	28,874
Interest income from loan receivables		**236**	476	**526**	973
Income from postpartum care services		**14,059**	–	**23,459**	–
Income from trading of medical equipments and consumables		**2,780**	–	**2,780**	–
Total revenue		**29,890**	14,671	**52,443**	29,847
Bank interest income		**49**	15	**145**	23
Other gains and losses	*4*	**802**	208	**2,140**	206
Staff costs	*7*	**(8,699)**	(2,979)	**(16,296)**	(6,210)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*12*	**(3,285)**	(5,535)	**(3,539)**	(7,100)
Other operating expenses		**(16,396)**	(4,326)	**(26,899)**	(7,023)
Finance costs	*5*	**(1,689)**	(2,427)	**(3,730)**	(5,021)
Profit (loss) before income tax		**672**	(373)	**4,264**	4,722
Income tax expenses	*6*	**303**	1,991	**(218)**	516
Profit and total comprehensive income for the period	*7*	**975**	1,618	**4,046**	5,238
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		**854**	1,618	**3,865**	5,238
Non-controlling interests		**121**	–	**181**	–
		975	1,618	**4,046**	5,238
Earnings per share for profit attributable to owners of the Company during the period					
– Basic and diluted *(RMB cents)*	*9*	**0.22**	0.40	**0.97**	1.31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**15,671**	14,567
Right-of-use assets		**21,437**	10,295
Intangible assets		**31,314**	9,232
Finance lease receivable	*10*	**84,338**	84,380
Loan receivables	*10*	**318**	864
Prepayments for acquisition of subsidiaries		**–**	7,200
Deferred tax assets		**5,245**	5,070
Refundable rental deposits		**2,437**	1,017
		160,760	132,625
CURRENT ASSETS			
Finance lease receivable	*10*	**240,748**	207,488
Loan receivables	*10*	**3,373**	6,935
Trade receivables	*11*	**3,023**	–
Prepayments and other receivables		**10,758**	7,749
Financial assets at fair value through profit or loss ("**FVTPL**")		**16,950**	–
Bank balances and cash		**46,778**	84,814
		321,630	306,986
CURRENT LIABILITIES			
Other payables and accrued charges		**7,641**	12,076
Provision for taxation		**3,570**	6,018
Dividends payable		**4,258**	–
Contract liabilities		**10,441**	–
Lease liabilities		**11,021**	3,491
Deposits from finance lease customers		**369**	5,422
Deferred income		**–**	399
Bank borrowings	*13*	**117,672**	99,730
		154,972	127,136
NET CURRENT ASSETS		**166,658**	179,850
TOTAL ASSETS LESS CURRENT LIABILITIES		**327,418**	312,475

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**3,070**	1,146
Lease liabilities	**12,395**	7,729
Deposits from finance lease customers	**–**	257
Deferred income	**–**	31
Bank borrowings	**10,000**	–
	25,465	9,163
NET ASSETS	**301,953**	303,312
CAPITAL AND RESERVES		
Share capital	**33,839**	33,839
Reserves	**264,061**	268,529
Equity attributable to owners of the Company	**297,900**	302,368
Non-controlling interests	**4,053**	944
TOTAL EQUITY	**301,953**	303,312

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), and application of certain accounting policies which became relevant to the Group, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied 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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of 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.

3. REVENUE

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

	Three months ended		**Six months ended**	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Finance leasing income	**12,815**	14,195	**25,678**	28,874
Interest income from loan receivables	**236**	476	**526**	973
Income from postpartum care services	**14,059**	–	**23,459**	–
Income from trading of medical equipments and consumables	**2,780**	–	**2,780**	–
	29,890	14,671	**52,443**	29,847

4. OTHER GAINS AND LOSSES

	Three months ended		**Six months ended**	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Gain on investment of structured deposits	**196**	398	**752**	398
Government subsidies	**563**	–	**1,292**	–
Exchange gain (loss), net	**42**	(190)	**76**	(192)
Others	**1**	–	**20**	–
	802	208	**2,140**	206

5. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interests on bank borrowing repayable within one year	**1,262**	1,237	**2,673**	2,342
Imputed interests on interest-free deposits from finance lease customers	**66**	959	**355**	2,200
Interests on lease liabilities	**361**	231	**702**	479
	1,689	2,427	**3,730**	5,021

6. TAXATION

	Three months ended		Six months ended	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
The charge (credit) comprises:				
Current tax				
PRC Enterprise Income Tax	**673**	996	**708**	2,208
Over provision in prior year	**(489)**	–	**(489)**	–
	184	996	**219**	2,208
Withholding tax levied on dividend declared of a PRC subsidiary	**500**	600	**500**	600
Deferred tax	**(987)**	(3,587)	**(501)**	(3,324)
	(303)	(1,991)	**218**	(516)

7. PROFIT FOR THE PERIOD

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

	Three months ended		Six months ended	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Directors' emoluments	**283**	278	**719**	879
Other staff costs				
– Salaries, allowances and other staff benefits	**7,879**	3,122	**14,519**	5,862
– Staffs' retirement benefit scheme contributions	**1,101**	4	**2,079**	70
Total staff costs	**9,263**	3,404	**17,317**	6,811
Less: staff costs recognised as research and development costs in other operating expenses	**(564)**	(425)	**(1,021)**	(601)
Staff costs recognised in profit or loss	**8,699**	2,979	**16,296**	6,210
Amortisation of intangible assets	**261**	–	**519**	–
Covid-19-related rent concessions	**–**	–	**–**	(484)
Depreciation of property, plant and equipment	**1,349**	114	**2,577**	220
Depreciation of right-of-use assets	**3,028**	1,020	**5,502**	2,040
Property, plant and equipment written off	**–**	–	**–**	1
Research and development costs recognised as an expense (included in other operating expenses)	**571**	440	**1,043**	688
Short-term leases payments	**1,632**	–	**2,955**	–

8. DIVIDENDS

During the current interim period, a final dividend of HK2.5 cents (six months ended 30 June 2020: HK3 cents) per share in respect of the year ended 31 December 2020 was declared to the owners of the Company. The aggregate amount of the final dividend declared amounted to HK$10,000,000 (equivalent to RMB8,333,000) (six months ended 30 June 2020: HK$12,000,000 (equivalent to RMB10,884,000)). The aggregate amount of the final dividend paid in the interim period amounted to HK$4,890,000 (equivalent to RMB4,075,000) (six months ended 30 June 2020: HK$3,000,000 (equivalent to RMB2,651,000)).

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

9. EARNINGS PER SHARE

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

	Three months ended		**Six months ended**	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings:				
Earnings for the purpose of basic earnings per share				
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**854**	1,618	**3,865**	5,238

	Three months ended		**Six months ended**	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	'000	*'000*	***'000***	*'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000**	400,000	**400,000**	400,000

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.

10. FINANCE LEASE RECEIVABLE/LOAN RECEIVABLES

Finance lease receivable

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Finance lease receivable comprises:				
Within one year	**297,728**	256,374	**257,405**	221,404
In the second year	**85,308**	83,200	**76,523**	74,670
In the third year	**4,652**	12,715	**11,050**	12,125
	387,688	352,289	**344,978**	308,199
Less: Unearned finance income	**(42,710)**	(44,090)	**–**	–
Present value of minimum lease payments	**344,978**	308,199	**344,978**	308,199
Less: Lifetime ECL allowance	**(19,892)**	(16,331)	**(19,892)**	(16,331)
	325,086	291,868	**325,086**	291,868
Analysed for reporting purposes as:				
Current assets			**240,748**	207,488
Non-current assets			**84,338**	84,380
			325,086	291,868

The following is an ageing analysis based on due dates of the finance lease receivable instalments which are past due (instalments which are not yet due at the end of the reporting period are excluded):

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Past due by:		
1 – 30 days	**1,728**	920
31 – 90 days	**2,110**	1,005
More than 90 days	**9,602**	12,000
	13,440	13,925

Loan receivables

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate loan receivables:		
Within one year	**3,416**	6,999
One to two years	**322**	798
More than two years but not more than five years	**–**	71
	3,738	7,868
Less: 12-month ECLs allowance	**(47)**	(69)
	3,691	7,799
Analysed for reporting purposes as:		
Current assets	**3,373**	6,935
Non-current assets	**318**	864
	3,691	7,799

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Past due by:		
1 – 30 days	**27**	–
31 – 90 days	**27**	–
	54	–

11. TRADE RECEIVABLES

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Trade receivables	**3,023**	–

The Group allows a credit period of 60-90 days to its customers for its trade receivables.

The following is an ageing analysis of trade receivables presented based on invoice dates at the end of each reporting period:

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
31 – 60 days	**3,023**	–

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

	Three months ended		**Six months ended**	
	30.6.2021 *RMB'000* **(Unaudited)**	30.6.2020 *RMB'000* (Unaudited)	**30.6.2021** *RMB'000* **(Unaudited)**	30.6.2020 *RMB'000* (Unaudited)
Impairment losses recognised (reversed) on:				
– finance lease receivable	**3,265**	5,577	**3,561**	6,965
– loan receivables	**20**	(42)	**(22)**	135
	3,285	5,535	**3,539**	7,100

13. BANK BORROWINGS

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Current		
Unsecured and guaranteed	**60,072**	69,650
Secured and guaranteed	**57,600**	30,080
	117,672	99,730
Non-current		
Unsecured and guaranteed	**10,000**	–
	127,672	99,730
Carrying amounts repayable*:		
Within one year	**90,072**	99,730
In the second to fifth years	**37,600**	–
	127,672	99,730

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

14. BUSINESS ACQUISITION DURING THE PERIOD

(a) On 4 December 2020, the Group entered into an 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 RMB3,240,000. Jiaenbei is engaged in provision of postpartum care service in the PRC. The equity was transferred in January 2021.

The fair value of identifiable assets and liabilities of Jiaenbei as at the date of acquisition and goodwill arising from the acquisition were as follows:

	RMB'000
Right-of-use assets	2,169
Other receivables	1,755
Cash and bank balances	1,110
Other payables	(359)
Lease liabilities	(2,215)
Contract liabilities	(877)
Fair value of net assets acquired	1,583
Less: non-controlling interests	(728)
	855
Consideration:	
– Cash paid	1,620
– Other payables	1,620
	3,240
Goodwill	2,385
Net cash outflow arising on acquisition:	
Cash consideration	1,620
Less: Cash and cash equivalents acquired	(1,110)
	510

(b) On 27 November 2020, the Group entered into an equity transfer agreement with independent third parties to purchase the entire equity share of Guangzhou Sheng Cheng Dunnan Enterprise Management Co., Limited ("**Dunnan**"), a limited liability company incorporated in the PRC with consideration of RMB31,000,000. Dunnan and its subsidiaries ("**Dunnan Group**") are engaged in provision of postpartum care services in the PRC. The equity was transferred in February 2021.

The fair value of identifiable assets and liabilities of Dunnan Group as at the date of acquisition and goodwill arising from the acquisition were as follows:

	RMB'000
Intangible assets	9,163
Property, plant and equipment	2,630
Right-of-use assets	14,476
Refundable rental deposits	1,135
Other receivables	2,000
Cash and bank balances	23,866
Other payables	(5,226)
Provision for taxation	(1,117)
Lease liabilities	(15,354)
Contract liabilities	(6,828)
Deferred tax liabilities	(2,250)
Fair value of net assets acquired	22,495
Less: non-controlling interests	(2,534)
	19,961
Consideration:	
– Cash paid	31,000
Goodwill	11,039
Net cash outflow arising on acquisition:	
Cash consideration	31,000
Less: Cash and cash equivalents acquired	(23,866)
	7,134

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of Ziyuanyuan Holdings Group Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021 together with the corresponding comparative figures.

BUSINESS REVIEW

For the six months ended 30 June 2021, the Group is principally engaged in provision of medical equipment finance leasing services, maternal and child postpartum care industry services and trading of medical equipments and consumables business in the PRC.

Finance leasing services

For the six months ended 30 June 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 2,560 SMEs customers across 30 provinces, municipalities and autonomous regions in the PRC as at 30 June 2021. The Group derived a revenue of RMB26.2 million from the finance leasing services for the six months ended 30 June 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 ("**Dunnan**"), a limited liability company incorporated in the PRC, with the consideration of RMB31 million. Dunnan 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 30 June 2021, the Group has 6 postpartum care centres in the PRC, which provide postpartum care services, 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. The Group derived a revenue of RMB23.5 million from the maternal and child postpartum care industry services for the six months ended 30 June 2021.

Trading of medical equipments and consumables business

During the period, the Group started the operation of trading of medical equipments and consumables. The Group derived a revenue of RMB2.8 million from trading of medical equipments and consumables business for the six months ended 30 June 2021.

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 and the PRC announced the implementation of the three-child policy in May 2021, 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; (ii) postpartum care services income; and (iii) income from trading of medical equipments and consumables. For the six months ended 30 June 2021, the Group's revenue increased by approximately RMB22.6 million or approximately 76% to approximately RMB52.4 million (six months ended 30 June 2020: approximately RMB29.8 million). The increase in revenue for the six months ended 30 June 2021 was mainly attributable to the (i) new postpartum care services income of RMB23.5 million contributed by the maternal and child postpartum care industry services; and (ii) new income from trading of medical equipments and consumables of RMB2.8 million, which offsetting the finance leasing income decreased from approximately RMB29.8 million for the six months ended 30 June 2020 to approximately RMB26.2 million for the six months ended 30 June 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 RMB6.2 million for the six months ended 30 June 2020 to approximately RMB16.3 million for the six months ended 30 June 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 six months ended 30 June 2020 and there was no such deduction for the six months ended 30 June 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.

For the six months ended 30 June 2021, an additional impairment loss of approximately RMB3.5 million (six months ended 30 June 2020: approximately RMB7.1 million) was recognised 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, 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 RMB7.0 million for the six months ended 30 June 2020 to approximately RMB26.9 million for the six months ended 30 June 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) depreciation of right-of-use assets, short-term leases payments and the operating expenses incurred by new maternal and child postpartum care business; and (iii) the cost of medical equipments and consumables sold.

Finance costs

Finance costs consist of (i) imputed interest expense on interest free deposits from finance lease customers; (ii) interest on bank borrowing; and (iii) interests on lease liabilities. Finance costs decreased from approximately RMB5.0 million for the six months ended 30 June 2020 to approximately RMB3.7 million for the six months ended 30 June 2021. The decrease was mainly due to imputed interest expense on interest-free deposits from finance lease customers decreased from approximately RMB2.2 million for the six months ended 30 June 2020 to approximately RMB0.4 million for the six months ended 30 June 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 RMB2.3 million for the six months ended 30 June 2020 to approximately RMB2.7 million for the six months ended 30 June 2021.

Income tax expenses

The PRC enterprise income tax rate applicable to the Group's subsidiaries is 25%. For the six months ended 30 June 2021, certain PRC subsidiaries were eligible to be classified as small enterprises by the local bureau. The first RMB1,000,000 assessable profits is taxed at 2.5% and assessable profits above RMB1,000,000 and below RMB3,000,000 is taxed at 10%.

Profit and total comprehensive income attributable to owners of the Company

For the six months ended 30 June 2021 and 2020, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB3.9 million and RMB5.2 million, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 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

On 25 March 2021, a final dividend, in the form of a cash dividend of HK2.5 cents per share in respect of the year ended 31 December 2020 has been proposed by the Board and was approved by the shareholders in the annual general meeting held on 10 May 2021.

The Board of Directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the cash and cash equivalents were approximately RMB46.8 million (31 December 2020: RMB84.8 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB166.7 million (31 December 2020: RMB179.9 million) and approximately RMB302.0 million (31 December 2020: RMB303.3 million), respectively.

As at 30 June 2021, the Group's bank borrowings were approximately RMB127.7 million (31 December 2020: RMB99.7 million). As at 30 June 2021, the gearing ratio was approximately 29.7% (31 December 2020: 24.7%), which is calculated as bank borrowing divided by total equity plus bank borrowing. Such increase was mainly due to increasing bank borrowing for business expansion.

CAPITAL STRUCTURE

The shares of the Company (the "**Shares**") were successfully listed on the GEM of the Stock Exchange on 9 July 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary Shares.

As at 30 June 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.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the six months ended 30 June 2021 were principally denominated in RMB, and most of the assets and liabilities as at 30 June 2021 were denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the six months ended 30 June 2021.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group did not have any capital commitments in respect of the acquisition of subsidiaries (31 December 2020: RMB27.0 million).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2021, certain finance lease receivables and loan receivables with an aggregate carrying value of approximately RMB56.2 million (31 December 2020: RMB25.1 million) and the entire equity interest of a subsidiary of the Group were pledged to certain banks in the PRC to secure bank borrowings of the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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 ("**Dunnan**"), a limited liability company incorporated in the PRC, with the consideration of RMB31 million. Dunnan 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 six months ended 30 June 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other future plans for material investments or capital assets as at 30 June 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

HUMAN RESOURCES

As at 30 June 2021, the Group had 245 employees (31 December 2020: 102 employees) with total staff cost of approximately RMB16.3 million incurred for the six months ended 30 June 2021 (30 June 2020: RMB6.2 million). The employees retirement benefit expense incurred during the six months ended 30 June 2021 was approximately RMB2.1 million (30 June 2020: 0.1 million). As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local government. The Group's remuneration policy rewards employees and Directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. We did not experience any material labour disputes during the six months ended 30 June 2021.

COMPETING INTEREST

For the six months ended 30 June 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 Limited), Mr. Zhang Junwei (through 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 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 30 June 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 six months ended 30 June 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. Lin Weibin and the chairman is Mr. Chan Chi Fung Leo, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 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, 12 August 2021

As at the date of this announcement, the executive Directors are Mr. Zhang Junshen (Chairman and Chief Executive Officer) and Mr. Zhang Yong, 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. Lin Weibin.

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.