



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 2022**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG
LIMITED (THE “STOCK EXCHANGE”)**

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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.

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*This announcement, for which the directors (the “**Directors**”) of Ziyuanyuan Holdings Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Three months ended		Six months ended	
		30.6.2022 RMB'000 (Unaudited)	30.6.2021 RMB'000 (Unaudited)	30.6.2022 RMB'000 (Unaudited)	30.6.2021 RMB'000 (Unaudited)
Revenue	3				
Finance leasing income		8,046	12,815	19,317	25,678
Interest income from loan receivables		19	236	521	526
Income from postpartum care services		12,843	14,059	24,712	23,459
Income from trading of medical equipments and consumables		89,805	2,780	97,916	2,780
Total revenue		110,713	29,890	142,466	52,443
Cost of sales		(74,263)	(2,650)	(80,874)	(2,650)
Bank interest income		23	49	57	145
Other gains and losses	4	1,761	802	2,970	2,140
Staff costs	7	(10,503)	(8,699)	(20,639)	(16,296)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	12	(4,736)	(3,285)	(3,636)	(3,539)
Other operating expenses		(12,354)	(13,746)	(24,385)	(24,249)
Finance costs	5	(3,075)	(1,689)	(6,261)	(3,730)
Profit before income tax		7,566	672	9,698	4,264
Income tax expenses	6	(1,526)	303	(1,763)	(218)
Profit and total comprehensive income for the period	7	<u>6,040</u>	<u>975</u>	<u>7,935</u>	<u>4,046</u>
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		5,948	854	8,103	3,865
Non-controlling interests		92	121	(168)	181
		<u>6,040</u>	<u>975</u>	<u>7,935</u>	<u>4,046</u>
Earnings per share for profit attributable to owners of the Company during the period					
– Basic and diluted (RMB cents)	9	<u>1.49</u>	<u>0.22</u>	<u>2.03</u>	<u>0.97</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June	31 December
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		10,611	12,545
Right-of-use assets		7,932	11,760
Intangible assets		31,593	30,145
Finance lease receivables	<i>10</i>	60,530	59,501
Loan receivables	<i>10</i>	137	169
Deferred tax assets		6,597	5,438
Deposits		7,651	6,121
		125,051	125,679
CURRENT ASSETS			
Inventories		573	884
Finance lease receivables	<i>10</i>	163,205	206,903
Loan receivables	<i>10</i>	167	823
Trade receivables	<i>11</i>	72,925	501
Prepayments, deposits and other receivables		55,368	23,122
Financial assets at fair value through profit or loss (“FVTPL”)		31,319	35,322
Restricted bank deposits		10,413	106,023
Bank balances and cash		55,104	33,492
		389,074	407,070
CURRENT LIABILITIES			
Other payables and accrued charges		27,862	18,984
Provision for taxation		3,179	1,896
Lease liabilities		3,343	6,201
Deposits from finance lease customers		162	147
Deferred income		–	16
Bank and other borrowings	<i>13</i>	103,490	117,496
		138,036	144,740
NET CURRENT ASSETS		251,038	262,330
TOTAL ASSETS LESS CURRENT LIABILITIES		376,089	388,009

		30 June	31 December
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		3,411	3,038
Lease liabilities		5,832	6,940
Bank and other borrowings	<i>13</i>	55,045	73,709
		<u>64,288</u>	<u>83,687</u>
NET ASSETS		<u>311,801</u>	<u>304,322</u>
EQUITY			
Share capital		33,839	33,839
Reserves		273,787	265,684
		<u>307,626</u>	<u>299,523</u>
Equity attributable to owners of the Company		307,626	299,523
Non-controlling interests		4,175	4,799
		<u>311,801</u>	<u>304,322</u>
TOTAL EQUITY		<u>311,801</u>	<u>304,322</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim 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 2022 for the preparation of the Group’s condensed consolidated financial statements:

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, 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	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance leasing income	8,046	12,815	19,317	25,678
Interest income from loan receivables	19	236	521	526
Income from postpartum care services	12,843	14,059	24,712	23,459
Income from trading of medical equipments and consumables	89,805	2,780	97,916	2,780
	110,713	29,890	142,466	52,443

4. OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Fair value gain on financial assets at FVTPL	1,508	196	2,528	752
Government subsidies	169	563	409	1,292
Exchange gain (loss), net	1	42	(54)	76
Others	83	1	87	20
	1,761	802	2,970	2,140

5. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interests on bank and other borrowings	2,922	1,262	5,887	2,673
Imputed interests on interest-free deposits from finance lease customers	6	66	54	355
Interests on lease liabilities	147	361	320	702
	<u>3,075</u>	<u>1,689</u>	<u>6,261</u>	<u>3,730</u>

6. INCOME TAX EXPENSES

	Three months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The charge (credit) comprises:				
Current tax				
– PRC Enterprise Income Tax	2,336	684	2,549	719
Deferred tax	(810)	(987)	(786)	(501)
	<u>1,526</u>	<u>(303)</u>	<u>1,763</u>	<u>218</u>

7. PROFIT FOR THE PERIOD

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

	Three months ended		Six months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Directors' emoluments	732	283	1,458	719
Other staff costs				
– Salaries, allowances and other staff benefits	9,140	7,879	18,113	14,519
– Staffs' retirement benefit scheme contributions	1,471	1,101	3,031	2,079
Total staff costs	11,343	9,263	22,602	17,317
Less: staff costs recognised as research and development costs	(840)	(564)	(1,963)	(1,021)
Staff costs recognised in profit or loss	10,503	8,699	20,639	16,296
Amortisation of intangible assets	255	261	510	519
Cost of inventories sold	74,263	2,650	80,874	2,650
Depreciation of property, plant and equipment	1,816	1,349	2,755	2,577
Depreciation of right-of-use assets	1,680	3,028	4,002	5,502
Research and development costs recognised as an expense (included in other operating expenses)	313	571	436	1,043
Short-term leases payments	2,044	1,632	3,455	2,955

8. DIVIDENDS

During the current interim period, a final dividend of HK2.5 cents (six months ended 30 June 2021: HK2.5 cents) per share in respect of the year ended 31 December 2021 was declared to the owners of the Company. The aggregate amount of the final dividend declared amounted to HK\$10,000,000 (equivalent to approximately RMB8,552,000) (six months ended 30 June 2021: HK\$10,000,000 (equivalent to RMB8,333,000)). The aggregate amount of the final dividend paid in the interim period amounted to nil (six months ended 30 June 2021: HK\$4,890,000 (equivalent to RMB4,075,000)).

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: 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	
30.6.2022	30.6.2021	30.6.2022	30.6.2021
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(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

<u>5,948</u>	<u>854</u>	<u>8,103</u>	<u>3,865</u>
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Three months ended		Six months ended	
30.6.2022	30.6.2021	30.6.2022	30.6.2021
<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Number of shares:

Weighted average number of ordinary shares for the purpose of basic earnings per share

<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
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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 RECEIVABLES/LOAN RECEIVABLES

Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Finance lease receivables comprises:				
Within one year	214,379	248,684	183,850	222,717
In the second year	56,912	62,328	54,067	56,775
In the third year	3,978	8,867	9,915	8,105
	<u>275,269</u>	<u>319,879</u>	<u>247,832</u>	<u>287,597</u>
Less: Unearned finance income	<u>(27,437)</u>	<u>(32,282)</u>	<u>–</u>	<u>–</u>
Present value of minimum lease payments	<u>247,832</u>	<u>287,597</u>	<u>247,832</u>	<u>287,597</u>
Less: Lifetime ECL allowance	<u>(24,097)</u>	<u>(21,193)</u>	<u>(24,097)</u>	<u>(21,193)</u>
	<u><u>223,735</u></u>	<u><u>266,404</u></u>	<u><u>223,735</u></u>	<u><u>266,404</u></u>
Represented by:				
Current assets			163,205	206,903
Non-current assets			<u>60,530</u>	<u>59,501</u>
			<u><u>223,735</u></u>	<u><u>266,404</u></u>

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

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Past due by:		
1 – 30 days	2,747	2,240
31 – 90 days	4,071	2,860
More than 90 days	<u>4,034</u>	<u>6,728</u>
	<u><u>10,852</u></u>	<u><u>11,828</u></u>

Loan receivables

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Fixed-rate loan receivables:		
Within one year	169	829
One to two years	138	170
	<u>307</u>	<u>999</u>
Less: 12-month ECLs (“12m ECL”) allowance	(3)	(7)
	<u>304</u>	<u>992</u>
Represented by:		
Current assets	167	823
Non-current assets	137	169
	<u>304</u>	<u>992</u>

As at 30 June 2022 and 31 December 2021, all of the loan receivables were not past due.

11. TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	<u>72,925</u>	<u>501</u>

The Group allows a credit period of 0-365 days to its customers for its trade receivables. As at 30 June 2022 and 31 December 2021, all of the trade receivables were not past due.

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 90 days	73,053	501
91 – 180 days	608	–
Less: 12m ECL allowance	<u>(736)</u>	<u>–</u>
	<u>72,925</u>	<u>501</u>

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

	Three months ended		Six months ended	
	30.6.2022 RMB'000 (Unaudited)	30.6.2021 RMB'000 (Unaudited)	30.6.2022 RMB'000 (Unaudited)	30.6.2021 RMB'000 (Unaudited)
Impairment losses recognised (reversed) on:				
– finance lease receivables	4,001	3,265	2,904	3,561
– loan receivables	(1)	20	(4)	(22)
– trade receivables	<u>736</u>	<u>–</u>	<u>736</u>	<u>–</u>
	<u>4,736</u>	<u>3,285</u>	<u>3,636</u>	<u>3,539</u>

13. BANK AND OTHER BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bank borrowings due for repayment within one year		
– Unsecured and guaranteed	37,683	38,784
– Secured and guaranteed	30,000	30,000
	67,683	68,784
Bank borrowings due for repayment more than one year		
– Unsecured and guaranteed	3,056	4,722
– Secured and guaranteed	27,600	27,600
	30,656	32,322
Total bank borrowings	98,339	101,106
Other borrowings from a finance lease company		
– Due for repayment within one year	35,807	48,712
– Due for repayment more than one year	24,389	41,387
	60,196	90,099
Total bank and other borrowings	158,535	191,205
Represented by:		
Current liabilities	103,490	117,496
Non-current liabilities	55,045	73,709
	158,535	191,205

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 2022 (the “**Period**”) together with the comparative figures in the corresponding period in 2021 (the “**Prior Period**”).

BUSINESS REVIEW

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 during the Period.

Finance leasing services

During the Period, 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 3,600 SMEs customers across 30 provinces, municipalities and autonomous regions in the PRC as at 30 June 2022. The Group derived a revenue of RMB19.8 million from the finance leasing services during the Period.

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.

The Group provided 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 RMB24.7 million from the maternal and child postpartum care industry services during the Period.

Trading of medical equipments and consumables business

During the period, The Group is engaged in trading of medical equipments and consumables in the PRC. The Group derived a revenue of RMB97.9 million from trading of medical equipments and consumables business during the Period.

OUTLOOK

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 finance leasing service and medical equipment fields that focus on oral cavity and maternity and child industry. Meanwhile, the Group developed trading of medical equipments and consumables business, which cooperates with the maternal and child postpartum care industry, in order to capture pioneer opportunities and support the industrial upgrade of the healthcare industry, diversifying the income of the Group.

In 2022, the global economic situation remains grim. We will continue to increase investment in various businesses and continue to strive to find opportunities in the face of challenges, so as to return shareholders and the public, and realize corporate value as well as social value.

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 Period, the Group's revenue increased by approximately RMB90.1 million or approximately 171.7% to approximately RMB142.5 million (Prior Period: RMB52.4 million). The increase in revenue for the Period was mainly attributable to (i) income from trading of medical equipments and consumables increased from approximately RMB2.8 million for the Prior Period to approximately RMB97.9 million for the Period; and (ii) postpartum care services income increased from approximately RMB23.5 million for the Prior Period to approximately RMB24.7 million for the Period, which offsetting the finance leasing income decreased from approximately RMB26.2 million for the Prior Period to approximately RMB19.8 million for the Period.

Cost of sales

For the Period, the cost of medical equipments and consumables sold increased to approximately RMB80.9 million (Prior Period: approximately RMB2.7 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 RMB16.3 million for the Prior Period to approximately RMB20.6 million for the Period. The increase was mainly attributable to the increase in head count and staff salaries for existing staff.

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 maternal and child postpartum care business. Other operating expenses increased from approximately RMB24.2 million for the Prior Period to approximately RMB24.4 million for the Period. The increase was mainly due to the increase in other operating expenses of the postpartum care business offsetting the decrease in other operating expenses of the finance leasing business.

The other operating expenses for finance leasing business decreased from approximately RMB9.8 million for the Prior Period to approximately RMB7.3 million for the Period. The decrease was mainly attributed to (i) depreciation of right-of-use assets decreased from approximately RMB1.8 million for the Prior Period to approximately RMB0.6 million for the Period; and (ii) due to the impact of Covid-19, travelling expenses decreased from approximately RMB1.8 million for the Prior Period to approximately RMB0.9 million for the Period.

The other operating expenses for the postpartum care business increased from approximately RMB14.5 million for the Prior Period to approximately RMB17.0 million for the Period, it was mainly attributable to (i) short-term leases payments increased from approximately RMB2.6 million for the Prior Period to approximately RMB3.4 for the Period; and (ii) office expenses, water, electricity and property management fees increased from approximately RMB0.8 million for the Prior Period to approximately RMB1.7 million for the Period.

Finance costs

Finance costs consist of (i) imputed interest expense on interest-free deposits from finance lease customers; (ii) interest on bank and other borrowings; and (iii) interests on lease liabilities. Finance costs increased from approximately RMB3.7 million for the Prior Period to approximately RMB6.3 million for the Period. The increase was mainly due to the interest on bank and other borrowing increased from approximately RMB2.7 million Prior Period to approximately RMB5.9 million for the Period.

Income tax expenses

Certain PRC subsidiaries of the Group qualified as small low profit enterprises with annual taxable income not more than RMB1.0 million, and the portion that exceeds RMB1.0 million but does not exceed RMB3.0 million (inclusive) are entitled to enterprise income tax calculated at 12.5% and 50% of its taxable income at a tax rate of 20%, respectively. A PRC subsidiary of the Group recognised as high technology enterprise is entitled to a preferential enterprise income tax rate of 15%. The enterprise income tax rate applicable to the other PRC subsidiaries of the Group is 25%.

Profit for the period attributable to owners of the Company

During the Period and Prior Period, the Group's profit and total comprehensive income attributable to owners of the Company were approximately RMB8.1 million and RMB3.9 million, respectively. The increase in profit and total comprehensive income attributable to owners of the Company during the Period was mainly attributable to the increase in income from trading of medical equipments and consumables.

Dividend

On 31 March 2022, a final dividend, in the form of a cash dividend of HK2.5 cents per share in respect of the year ended 31 December 2021 has been proposed by the Board and was approved by the shareholders in the annual general meeting held on 27 May 2022.

The Board of Directors of the Company does not recommend the payment of an interim dividend in respect of the Period (Prior Period: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, bank balances and cash were approximately RMB55.1 million (31 December 2021: RMB123.6 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB251.0 million (31 December 2021: RMB262.3 million) and approximately RMB311.8 million (31 December 2021: RMB304.3 million), respectively.

As at 30 June 2022, the Group's bank and other borrowings were approximately RMB158.5 million (31 December 2021: RMB191.2 million). As at 30 June 2022, the gearing ratio was approximately 33.7% (31 December 2021: 38.6%), which is calculated as bank and other borrowing divided by total equity plus bank and other borrowing. Such decrease was mainly due to the decrease in other borrowings from a finance lease company..

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 2022, 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 Period were principally denominated in RMB, and most of the assets and liabilities as at 30 June 2022 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 Period.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group did not have any capital commitments in respect of the acquisition of subsidiaries (31 December 2021: Nil).

CHARGES ON THE GROUP’S ASSETS

As at 30 June 2022, certain finance lease receivables and loan receivables with an aggregate carrying value of approximately RMB97.5 million (31 December 2021: RMB93.8 million) were pledged to certain banks and a finance lease company in the PRC to secure bank and other borrowings of the Group.

As at 30 June 2022 and 31 December 2021, the entire equity interests of a subsidiary of the Group were pledged to a bank in the PRC to secure a bank borrowing of the Group.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group did not have material acquisition nor disposal of subsidiaries and affiliated companies during the Period.

SIGNIFICANT INVESTMENT

In order to enhance the capital efficiency and to maximize the return from the working capital of the Group, the Group reasonably and strategically utilizes the idle funds of the Group to conduct the subscriptions and disposals of wealth management products for investment purposes. The Directors took into account (i) the high liquidity and flexible investment term of each of the wealth management products in which the Group is able to freely acquire additional or dispose units of the wealth management products to cater the capital needs of the Group's operation; (ii) the risk associated with the wealth management products is low and each of the wealth management products has a relatively high credit rating; (iii) the subscriptions and the subsequent disposals offered a better return than the prevailing fixed-term deposit interests rates generally offered by commercial banks in the PRC; and (iv) the subscriptions and disposals have no material impact on the operations and working capital of the Group.

The significant investments held by the Group which were classified as financial assets at fair value through other comprehensive income during the Period are as follows:

Name of investment	Cost RMB'000	Redemption during the period RMB'000	Unrealised/ realised gain for the period RMB'000	Fair value	Percentage
				as at 30 June 2022 RMB'000	to the total assets as at 30 June 2022
Guoyuan Antai No.06003 Bond Investment Trust Fund Plan*	5,000	5,141	141	–	–
Chuangyuan No. 2 Bond Investment Trust Fund Plan*	10,000	–	396	10,396	2%
Jingu•Jinniu No.14 Trust Fund Plan*	10,000	–	496	10,496	2%
Stable Series E10 Trust Fund Plan*	10,000	–	427	10,427	2%
	<u>35,000</u>	<u>5,141</u>	<u>1,460</u>	<u>31,319</u>	<u>6%</u>

Save as disclosed above, the Group did not have other significant investment during the Period.

* For identification purpose only

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 2022.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

HUMAN RESOURCES

As at 30 June 2022, the Group had 269 employees (31 December 2021: 245 employees) with total staff cost of approximately RMB20.6 million incurred for the Period (Prior Period: RMB16.3 million). The employees retirement benefit expense incurred during the Period was approximately RMB3.0 million (Prior Period: 2.1 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 Period.

COMPETING INTEREST

Period, 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 2022 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 Period and up to date of this announcement.

AUDIT COMMITTEE AND REVIEW OF INTERIM 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 Dr. Deng Bin 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 2022 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 2022

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 Dr. Deng Bin.

This announcement will remain on the “Latest Listed Company Information” page of the website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.ziyygroup.com.