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 2023

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 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 2023 (the "**Period**"), together with the comparative unaudited figures for the corresponding period in 2022 (the "**Prior Period**"), as follows:

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

For the three months ended 31 March 2023

	Notes	**Three months ended 31 March** **2023** ***RMB'000*** **(Unaudited)**	2022 *RMB'000* (Unaudited)
Revenue			
Finance leasing income		**8,670**	11,271
Interest income from loan receivables		**264**	502
Income from postpartum care services		**7,671**	11,869
Income from trading of medical equipment and consumables		**45,005**	8,111
Total revenue	*3*	**61,610**	31,753
Cost of sales		**(36,532)**	(6,611)
Bank interest income		**17**	34
Other gains and losses, net	*4*	**343**	1,209
Staff costs	*8*	**(9,540)**	(10,136)
Reversal of impairment losses under expected credit loss ("**ECL**") model, net	*5*	**881**	1,100
Other operating expenses		**(10,353)**	(12,031)
Finance costs	*6*	**(3,990)**	(3,186)
Profit before income tax		**2,436**	2,132
Income tax expenses	*7*	**(647)**	(237)
Profit and total comprehensive income for the period	*8*	**1,789**	1,895
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**2,083**	2,155
Non-controlling interests		**(294)**	(260)
		1,789	1,895
Earnings per share for profit attributable to owners of the Company during the period			
– Basic and diluted *(RMB cents)*	*10*	**0.52**	0.54

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	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*
At 1 January 2023 (audited)	33,839	56,743	133,023	11,543	71,713	306,861	3,956	310,817
Profit and total comprehensive income for the period	–	–	–	–	2,083	2,083	(294)	1,789
At 31 March 2023 (unaudited)	**33,839**	**56,743**	**133,023**	**11,543**	**73,796**	**308,944**	**3,662**	**312,606**
At 1 January 2022 (audited)	33,839	65,218	133,023	9,411	58,032	299,523	4,799	304,322
Profit and total comprehensive income for the period	–	–	–	–	2,155	2,155	(260)	1,895
At 31 March 2022 (unaudited)	33,839	65,218	133,023	9,411	60,187	301,678	4,539	306,217

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.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under historical cost convention, except for investment properties and certain financial instruments, which are stated at fair value.

The preparation of the unaudited consolidated financial results in conformity with HKFRSs 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 2023 are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2022.

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 2023 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, income from postpartum care services and income from trading of medical equipment 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 31 March	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance leasing income	**8,670**	11,271
Interest income from loan receivables	**264**	502
Income from postpartum care services	**7,671**	11,869
Income from trading of medical equipment and consumables	**45,005**	8,111
	61,610	31,753

4. OTHER GAINS AND LOSSES, NET

	Three months ended 31 March	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fair value gain other financial assets	**1**	1,020
Government subsidies	**92**	240
Exchange gain/(loss), net	**98**	(55)
Rental income	**9**	–
Others	**143**	4
	343	1,209

5. REVERSAL OF IMPAIRMENT LOSSES UNDER ECL MODEL, NET

	Three months ended 31 March	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reversal of impairment losses recognised on:		
– Trade receivables	**(3,031)**	–
– Finance lease receivables	**1,820**	(1,097)
– Loan receivables	**(1)**	(3)
– Financial guarantee	**331**	–
	(881)	(1,100)

6. FINANCE COSTS

	Three months ended 31 March	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Imputed interests on interest-free deposits from finance lease customers	**21**	48
Interests on bank and other borrowings	**3,715**	2,965
Interests on lease liabilities	**254**	173
Total interest expense on financial liabilities not measured at fair value through profit or loss	**3,990**	3,186

7. INCOME TAX EXPENSES

	Three months ended 31 March	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	**234**	213
Deferred tax	**413**	24
	647	237

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 tax rate of the PRC subsidiaries is 25% for both periods, except for one subsidiary of the Group which is recognised as high technology enterprise is entitled to enjoy a preferential tax rate of 15%.

According to the EIT Law and the Implementation of the EIT Law of the PRC, certain PRC subsidiaries of the Group qualified as small low profit enterprises with annual taxable income not more than RMB1,000,000, and the portion that exceeds RMB1,000,000 but does not exceed RMB3,000,000 (inclusive) are entitled to enterprise income tax calculated at 12.5% and 50% of its taxable income at a tax rate of 20%, respectively.

8. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Three months ended 31 March	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Directors' emoluments	**1,067**	726
Other staff costs		
– Salaries, allowances and other staff benefits	**7,860**	8,973
– Staffs' retirement benefit scheme contributions	**1,269**	1,560
Total staff costs	**10,196**	11,259
Less: staff costs recognised as research and development costs in other operating expenses	**(656)**	(1,123)
Staff costs recognised in profit or loss	**9,540**	10,136
Amortisation of intangible assets	**255**	255
Cost of inventories sold	**36,532**	6,611
Depreciation of property, plant and equipment	**1,057**	934
Depreciation of right-of-use assets	**2,267**	2,322
Research and development costs recognised as an expense (included in other operating expenses)	**848**	123
Short-term leases payments	**356**	1,411

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 2023 (three months ended 31 March 2022: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB2,083,000 (three months ended 31 March 2022: RMB2,155,000) and on the weighted average number of ordinary shares in issue during the period of 400,000,000 (three months ended 31 March 2022: 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 2023 together with the corresponding comparative figures.

BUSINESS REVIEW

For the three months ended 31 March 2023, the Group is principally engaged in provision of medical equipment finance leasing services, maternal and child postpartum care industry services and trading of medical equipment and consumables business in the PRC.

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 4,400 SMEs customers across 30 provinces, municipalities and autonomous regions in the PRC as at 31 March 2023. The Group recorded a revenue of RMB8.9 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, centers for the provision of postpartum care services（月子中心）had emerged. The Group provides postpartum care services in the PRC, consisting of four major areas of (i) health care for postpartum mothers and newborn babies; (ii) dietary and nutrition for postpartum mothers; (iii) recovery and beauty for postpartum mothers; and (iv) intellectual development for newborn babies.

Due to the restriction of the epidemic control measures, the Group's postpartum care centers were not able to operate normally during part of the Period, which made customers unable to check in on time and orders were returned, resulting in a decline in revenue and recorded a segmental loss in the maternal and child postpartum care industry services. The Group recorded a revenue of RMB7.7 million from the maternal and child postpartum care industry services during the Period.

Trading of medical equipments and consumables business

The Group expects that after the epidemic, the healthcare industry will become a new economic breakthrough with great potential for value addition. Benefiting from the PRC government's policy of encouraging innovation in medical equipment and promoting high quality development of the medical equipment industry, the Group has been able to leverage on its experience in the medical equipment industry from its previous finance leasing business, its cooperation with medical equipment suppliers and its practical understanding of the characteristics and needs of its customers to commence its medical equipment and consumables trading business in the PRC, mainly focusing on aesthetic medicine, dental, maternal and child and large hospital medical equipment. During the Period, with the support of the Group's previous customers and partners in the finance leasing business, the medical equipment and consumables trading business achieved revenue of RMB45.0 million, bringing a breakthrough growth to the Group's revenue structure.

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 has preemptively set up the finance leasing service to focus on the field of medical equipment and to develop the trading of medical equipment and consumables business, which cooperates with the maternal and child postpartum care industry, to help upgrade the healthcare industry, but also to diversify the Group's income point.

In 2023, 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 equipment and consumables. For the Period, the Group's revenue increased by approximately RMB29.9 million or approximately 94.0%, from approximately RMB31.8 million for the Prior Period to approximately RMB61.6 million for the Period. The increase in revenue for the Period was mainly attributable to income from trading of medical equipment and consumables increased from approximately RMB8.1 million for the Prior Period to approximately RMB45.0 million for the Period, which offsetting (i) the finance leasing income decreased from approximately RMB11.8 million for the Prior Period to approximately RMB8.9 million for the Period; and (ii) postpartum care services income decreased from approximately RMB11.9 million for the Prior Period to approximately RMB7.7 million for the Period.

Cost of sales

For the Period, the cost of medical equipment and consumables sold increased to approximately RMB36.5 million (Prior Period: approximately RMB6.6 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 decreased from RMB10.1 million for the Prior Period to approximately RMB9.5 million for the Period. The decrease was mainly attributable to the decrease in head count.

Reversal of impairment losses under expected credit loss ("ECL") model, net

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 trade receivables, finance lease receivables, loan receivables and financial guarantee. In determining the impairment of trade receivables, finance lease receivables, loan receivables and financial guarantee, 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 Period, reversal of impairment loss of approximately RMB0.9 million (Prior Period: RMB1.1 million) was recognised. The reversal of impairment losses recognised during the Period was mainly due to the decrease in total trade receivables.

Other operating expenses

Other operating expenses include primarily audit fees, legal and professional fees, office supplies, depreciation of property, plant and equipment, depreciation of right-of-use assets, short-term leases payments research and development costs, and the miscellaneous expenses of postpartum care business. Other operating expenses decreased from approximately RMB12.0 million for the Prior Period to approximately RMB10.4 million for the Period. The decrease was mainly attributable to (i) the miscellaneous expenses of postpartum care business decreased from approximately RMB3.2 million for the Prior Period to approximately RMB2.1 million for the Period; (ii) short-term leases payments decreased from approximately RMB1.4 million for the Prior Period to approximately RMB0.4 million for the Period; and (iii) depreciation of property,plant and equipment decreased from approximately RMB1.9 million for the Prior Period to approximately RMB1.1 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 RMB3.2 million for the Prior Period to approximately RMB4.0 million for the Period. The increase was mainly due to the interest on bank and other borrowing increased from approximately RMB3.0 million Prior Period to approximately RMB3.7 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 and total comprehensive income attributable to owners of the Company

For the three months ended 31 March 2023 and 2022, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB2.1 million and RMB2.2 million, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company for the three months ended 31 March 2023 was mainly attributable to the (i) decrease in revenue in finance leasing services and maternal and child postpartum care industry services and other gains and losses, net; and (ii) the increase in finance costs, which offsetting (i) the increase in revenue in trading of medical equipment and consumables business; and (ii) decrease in staff costs and other operating expenses as compared to the corresponding period in 2022.

Dividend

The Board of Directors of the Company does not recommend the payment of an interim dividend in respect of the Period (Prior Period: 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 2023, 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 2023, 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 C.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 C.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 C.2.1

In accordance with the code provision C.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 2023 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 2023 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 Dr. Deng Bin. Mr. Chan Chi Fung Leo currently serves as the chairman of the Audit Committee, 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 2023 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 May 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Junshen (Chairman and Chief Executive Officer) and Mr. Wong Kwok San, 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 on the HKEXnews website at www.hkexnews.hk for at least 7 days from the date of its posting and on the website of the Company at www.ziyygroup.com.