# 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 2023

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## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 (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 2023 (the "**Period**"), together with the unaudited comparative figures for the corresponding periods in 2022 (the "**Prior Period**"), as follows:

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

*For the six months ended 30 June 2023*

| | | **Three months ended** | | **Six months ended** | |
|---|---|---|---|---|---|
| | *Notes* | **30.6.2023**<br>***RMB'000***<br>**(Unaudited)** | 30.6.2022<br>*RMB'000*<br>(Unaudited) | **30.6.2023**<br>***RMB'000***<br>**(Unaudited)** | 30.6.2022<br>*RMB'000*<br>(Unaudited) |
| Revenue | *3* | | | | |
| Finance leasing income | | **3,945** | 8,046 | **12,875** | 19,317 |
| Interest income from loan receivables | | **2** | 19 | **6** | 521 |
| Income from postpartum care services | | **7,900** | 12,843 | **15,571** | 24,712 |
| Income from trading of medical equipments and consumables | | **102,166** | 89,805 | **147,171** | 97,916 |
| Total revenue | | **114,013** | 110,713 | **175,623** | 142,466 |
| Cost of sales | | **(80,897)** | (74,263) | **(117,429)** | (80,874) |
| Bank interest income | | **12** | 23 | **29** | 57 |
| Other gains and losses, net | *4* | **(120)** | 1,761 | **223** | 2,970 |
| Staff costs | *7* | **(11,172)** | (10,503) | **(20,712)** | (20,639) |
| Impairment losses under expected credit loss ("**ECL**") model, net of reversal | *12* | **(2,627)** | (4,736) | **(1,746)** | (3,636) |
| Other operating expenses | | **(10,658)** | (12,354) | **(21,011)** | (24,385) |
| Finance costs | *5* | **(3,651)** | (3,075) | **(7,641)** | (6,261) |
| Profit before income tax | | **4,900** | 7,566 | **7,336** | 9,698 |
| Income tax expenses | *6* | **(925)** | (1,526) | **(1,572)** | (1,763) |
| Profit and total comprehensive income for the period | *7* | **3,975** | 6,040 | **5,764** | 7,935 |
| Profit and total comprehensive income for the period attributable to: | | | | | |
| Owners of the Company | | **4,032** | 5,948 | **6,115** | 8,103 |
| Non-controlling interests | | **(57)** | 92 | **(351)** | (168) |
| | | **3,975** | 6,040 | **5,764** | 7,935 |
| Earnings per share for profit attributable to owners of the Company during the period | | | | | |
| – Basic and diluted *(RMB cents)* | *9* | **1.01** | 1.49 | **1.53** | 2.03 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2023*

| | Notes | **30 June 2023 RMB'000 (Unaudited)** | 31 December 2022 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **8,908** | 9,786 |
| Investment properties | | **24,539** | 25,000 |
| Right-of-use assets | | **24,618** | 16,196 |
| Intangible assets | | **33,525** | 34,664 |
| Finance lease receivables | *10* | **44,329** | 44,346 |
| Refundable deposit | | **26,500** | 26,500 |
| Deferred tax assets | | **7,907** | 7,737 |
| Deposits | | **5,800** | 8,591 |
| | | **176,126** | 172,820 |
| **CURRENT ASSETS** | | | |
| Inventories | | **27,576** | 11,979 |
| Finance lease receivables | *10* | **138,183** | 132,969 |
| Loan receivables | *10* | **–** | 96 |
| Trade receivables | *11* | **100,091** | 132,435 |
| Prepayments, deposits and other receivables | | **86,427** | 75,046 |
| Other financial assets | | **1,847** | 847 |
| Restricted bank deposits | | **19,742** | 62,378 |
| Bank balances and cash | | **18,533** | 13,707 |
| | | **392,399** | 429,457 |
| **CURRENT LIABILITIES** | | | |
| Other payables and accrued charges | | **28,500** | 33,348 |
| Provision for taxation | | **7,598** | 6,664 |
| Lease liabilities | | **8,265** | 6,757 |
| Deposits from finance lease customers | | **–** | 33 |
| Financial guarantee | | **1,936** | 1,105 |
| Bank and other borrowings | *13* | **136,325** | 147,861 |
| | | **182,624** | 195,768 |
| **NET CURRENT ASSETS** | | **209,775** | 233,689 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **385,901** | 406,509 |

| | Notes | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **4,360** | 4,041 |
| Lease liabilities | | **17,610** | 10,670 |
| Bank and other borrowings | *13* | **47,765** | 80,981 |
| | | **69,735** | 95,692 |
| **NET ASSETS** | | **316,166** | 310,817 |
| **EQUITY** | | | |
| Share capital | | **33,839** | 33,839 |
| Reserves | | **279,137** | 273,022 |
| Equity attributable to owners of the Company | | **312,976** | 306,861 |
| Non-controlling interests | | **3,190** | 3,956 |
| **TOTAL EQUITY** | | **316,166** | 310,817 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## 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 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

**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 2023 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 | |
|---|---|---|---|---|
| | **30.6.2023** | 30.6.2022 | **30.6.2023** | 30.6.2022 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| **Revenue from other source** | | | | |
| Finance leasing income | **3,945** | 8,046 | **12,875** | 19,317 |
| Interest income from loan receivables | **2** | 19 | **6** | 521 |
| | **3,947** | 8,065 | **12,881** | 19,838 |
| **Revenue from contracts with customers** | | | | |
| Income from postpartum care services | **7,900** | 12,843 | **15,571** | 24,712 |
| Income from trading of medical equipments and consumables | **102,166** | 89,805 | **147,171** | 97,916 |
| | **110,066** | 102,648 | **162,742** | 122,628 |
| | **114,013** | 110,713 | **175,623** | 142,466 |

## 4. OTHER GAINS AND LOSSES, NET

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **30.6.2023** | 30.6.2022 | **30.6.2023** | 30.6.2022 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Fair value gain on financial assets at FVTPL | **3** | 1,508 | **4** | 2,528 |
| Change in fair value of investment properties | **(461)** | – | **(461)** | – |
| Government subsidies | **225** | 169 | **317** | 409 |
| Exchange gain (loss), net | **6** | 1 | **104** | (54) |
| Rental income | **40** | – | **49** | – |
| Others | **67** | 83 | **210** | 87 |
| | **(120)** | 1,761 | **223** | 2,970 |

## 5. FINANCE COSTS

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **30.6.2023** | 30.6.2022 | **30.6.2023** | 30.6.2022 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Interests on bank and other borrowings | **3,371** | 2,922 | **7,086** | 5,887 |
| Imputed interests on interest-free deposits from finance lease customers | **–** | 6 | **21** | 54 |
| Interests on lease liabilities | **280** | 147 | **534** | 320 |
| | **3,651** | 3,075 | **7,641** | 6,261 |

## 6. INCOME TAX EXPENSES

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **30.6.2023** | 30.6.2022 | **30.6.2023** | 30.6.2022 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| The charge (credit) comprises: | | | | |
| Current tax | | | | |
| – PRC Enterprise Income Tax | **1,189** | 2,336 | **1,423** | 2,549 |
| Deferred tax | **(264)** | (810) | **149** | (786) |
| | **925** | 1,526 | **1,572** | 1,763 |

## 7. PROFIT FOR THE PERIOD

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

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **30.6.2023** | 30.6.2022 | **30.6.2023** | 30.6.2022 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Directors' emoluments | **999** | 732 | **2,066** | 1,458 |
| Other staff costs | | | | |
| – Salaries, allowances and other staff benefits | **9,532** | 9,140 | **17,392** | 18,113 |
| – Staffs' retirement benefit scheme contributions | **1,254** | 1,471 | **2,523** | 3,031 |
| Total staff costs | **11,785** | 11,343 | **21,981** | 22,602 |
| *Less:* staff costs recognised as research and development costs | **(613)** | (840) | **(1,269)** | (1,963) |
| Staff costs recognised in profit or loss | **11,172** | 10,503 | **20,712** | 20,639 |
| Amortisation of intangible assets | **255** | 255 | **510** | 510 |
| Cost of inventories sold | **80,897** | 74,263 | **117,429** | 80,874 |
| Depreciation of property, plant and equipment | **954** | 1,816 | **2,011** | 2,755 |
| Depreciation of right-of-use assets | **2,101** | 1,680 | **4,368** | 4,002 |
| Research and development costs recognised as an expense (included in other operating expenses) | **488** | 313 | **1,336** | 436 |
| Short-term leases payments | **362** | 2,044 | **718** | 3,455 |

## 8. DIVIDENDS

During the current interim period, a final dividend of HK2.5 cents (six months ended 30 June 2022: HK2.5 cents) per share in respect of the year ended 31 December 2022 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 RMB9,140,000) (six months ended 30 June 2022: HK$10,000,000 (equivalent to RMB8,552,000)).

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: 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** | |
|---|---|---|---|---|
| | **30.6.2023** | 30.6.2022 | **30.6.2023** | 30.6.2022 |
| | ***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 | **4,032** | 5,948 | **6,115** | 8,103 |

| | **Three months ended** | | **Six months ended** | |
|---|---|---|---|---|
| | **30.6.2023** | 30.6.2022 | **30.6.2023** | 30.6.2022 |
| | ***'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 RECEIVABLES/LOAN RECEIVABLES

**Finance lease receivables**

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **30 June 2023** | 31 December 2022 | **30 June 2023** | 31 December 2022 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) |
| Finance lease receivables comprises: | | | | |
| Within one year | **173,376** | 171,397 | **162,181** | 155,206 |
| In the second year | **28,654** | 41,287 | **28,868** | 39,862 |
| In the third year | **18,642** | 6,290 | **16,915** | 6,004 |
| | **220,672** | 218,974 | **207,964** | 201,072 |
| *Less:* Unearned finance income | **(12,708)** | (17,902) | **–** | – |
| Present value of minimum lease payments | **207,964** | 201,072 | **207,964** | 201,072 |
| *Less:* Lifetime ECL allowance | **(25,452)** | (23,757) | **(25,452)** | (23,757) |
| | **182,512** | 177,315 | **182,512** | 177,315 |
| Represented by: | | | | |
| Current assets | | | **138,183** | 132,969 |
| Non-current assets | | | **44,329** | 44,346 |
| | | | **182,512** | 177,315 |

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 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Past due by: | | |
| 1 – 30 days | **1,380** | 2,341 |
| 31 – 90 days | **3,212** | 3,499 |
| More than 90 days | **4,514** | 11,571 |
| | **9,106** | 17,411 |

**Loan receivables**

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Fixed-rate loan receivables: | | |
| Within one year | **–** | 97 |
| *Less:* 12-month ECLs ("**12m ECL**") allowance | **–** | (1) |
| | **–** | 96 |

**11. TRADE RECEIVABLES**

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables | **104,832** | 137,955 |
| *Less:* Provision for impairment loss | **(4,741)** | (5,520) |
| | **100,091** | 132,435 |

The Group allows a credit period of 0-365 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 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| 1-30 days | **23,702** | 95,482 |
| 31-60 days | **1,939** | 6,435 |
| 61-90 days | **1,445** | 4,065 |
| 91-180 days | **2,213** | 22,135 |
| 181-365 days | **70,792** | 4,318 |
| | **100,091** | 132,435 |

The following is an ageing analysis based on due dates of the trade receivables instalments which are past due:

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Past due by: | | |
| 1 – 30 days | **239** | 370 |
| 31 – 90 days | **605** | 15,958 |
| More than 90 days | **12,356** | 118 |
| | **13,200** | 16,446 |

## 12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

| | **Three months ended** | | **Six months ended** | |
|---|---|---|---|---|
| | **30.6.2023** | 30.6.2022 | **30.6.2023** | 30.6.2022 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Impairment losses recognised (reversed) on: | | | | |
| – finance lease receivables | **(125)** | 4,001 | **1,695** | 2,904 |
| – loan receivables | **–** | (1) | **(1)** | (4) |
| – trade receivables | **2,252** | 736 | **(779)** | 736 |
| – financial guarantee | **500** | – | **831** | – |
| | **2,627** | 4,736 | **1,746** | 3,636 |

## 13. BANK AND OTHER BORROWINGS

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Bank borrowings due for repayment within one year | | |
| – Unsecured and guaranteed | **30,756** | 12,734 |
| – Secured and guaranteed | **30,000** | 30,000 |
| – Unsecured and unguaranteed | **–** | 10,000 |
| | **60,756** | 52,734 |
| Bank borrowings due for repayment more than one year | | |
| – Unsecured and guaranteed | **–** | 1,389 |
| – Secured and guaranteed | **27,600** | 27,600 |
| | **27,600** | 28,989 |
| Total bank borrowings | **88,356** | 81,723 |
| Other borrowings from a finance lease company | | |
| – Due for repayment within one year | **75,569** | 95,127 |
| – Due for repayment more than one year | **20,165** | 51,992 |
| | **95,734** | 147,119 |
| Total bank and other borrowings | **184,090** | 228,842 |

# MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors of the Company announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023 together with the comparative figures in the corresponding period in 2022.

# 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 4,570 SMEs customers across 30 provinces, municipalities and autonomous regions in the PRC as at 30 June 2023. The Group recorded a revenue of RMB12.9 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, 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.

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 RMB15.6 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 RMB147.2 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 RMB33.1 million or approximately 23.3%, from approximately RMB142.5 million for the Prior Period to approximately RMB175.6 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 RMB97.9 million for the Prior Period to approximately RMB147.2 million for the Period, which offsetting (i) the finance leasing income decreased from approximately RMB19.8 million for the Prior Period to approximately RMB12.9 million for the Period; and (ii) postpartum care services income decreased from approximately RMB24.7 million for the Prior Period to approximately RMB15.6 million for the Period.

### Cost of sales

For the Period, the cost of medical equipment and consumables sold increased to approximately RMB117.4 million (Prior Period: approximately RMB80.9 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 RMB20.6 million for the Prior Period to approximately RMB20.7 million for the Period.

### 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 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, an additional impairment loss of approximately RMB1.7 million (Prior Period: RMB3.6 million) was recognised due to the impact of Covid-19, which caused the increase in the customers' past due ratio.

## 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, sales and marketing expenses and the miscellaneous expenses of postpartum care business. Other operating expenses decreased from approximately RMB24.4 million for the Prior Period to approximately RMB21.0 million for the Period. The decrease was mainly attributable to (i) the miscellaneous expenses of postpartum care business decreased from approximately RMB6.2 million for the Prior Period to approximately RMB2.9 million for the Period; (ii) short-term leases payments decreased from approximately RMB3.5 million for the Prior Period to approximately RMB0.7 million for the Period; and (iii) depreciation of property, plant and equipment decreased from approximately RMB2.8 million for the Prior Period to approximately RMB2.1 million for the Period, which offsetting (i) the research and development costs increased from RMB0.4 million to RMB1.6 million; and (ii) sales and marketing expenses increased from RMB2.2 million to RMB4.4 million.

## 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 RMB6.3 million for the Prior Period to approximately RMB7.6 million for the Period. The increase was mainly due to the interest on bank and other borrowing increased from approximately RMB5.9 million for the Prior Period to approximately RMB7.1 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 six months ended 30 June 2023 and 2022, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB6.1 million and RMB8.1 million, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 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 impairment losses under ECL model, net of reversal 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).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, bank balances and cash were approximately RMB18.5 million (31 December 2022: RMB13.7 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB209.8 million (31 December 2022: RMB233.7 million) and approximately RMB316.2 million (31 December 2022: RMB310.8 million), respectively.

As at 30 June 2023, the Group's bank and other borrowings were approximately RMB136.3 million (31 December 2022: RMB147.9 million). and the Group's bank and other borrowings due after one year were amounted to approximately RMB47.8 million (31 December 2022: RMB81.0 million).

As at 30 June 2023, the gearing ratio was approximately 36.8% (31 December 2022: 42.4%), 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 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.

## 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 2023 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 2023, the Group did not have any capital commitments in respect of the acquisition of subsidiaries (31 December 2022: Nil).

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2023, certain finance lease receivables and loan receivables with an aggregate carrying value of approximately RMB83.6 million (31 December 2022: RMB143.5 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 2023 and 31 December 2022, 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.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 29 December 2022, the Group entered into the equity transfer agreement with an independent third party to purchase the entire equity interests of Wuhan Meikangmao Health Management Co., Ltd.* ("**Meikangmao**"), a limited liability company incorporated in the PRC with consideration of RMB40.0 million. Meikangmao is engaged in provision of postpartum care service in the PRC. The equity transfer was not completed as at 30 June 2023. Details of the acquisition are set out in the Company's announcements dated 29 December 2022, 4 January 2023 and 30 June 2023.

Save as the above, the Group did not have other significant investment, material acquisition nor disposal of subsidiaries and affiliated companies during the Period.

## 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 2023.

## CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

## HUMAN RESOURCES

As at 30 June 2023, the Group had 258 employees (31 December 2022: 281 employees) with total staff cost of approximately RMB20.7 million incurred for the Period (Prior Period: RMB20.6 million). The employees retirement benefit expense incurred during the Period was approximately RMB2.5 million (Prior Period: RMB3.0 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

During the 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 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 30 June 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 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 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, 11 August 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.*