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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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

GEM has positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be susceptible to high market volatility than securities traded on Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

RESULTS

The Directors of the Company are pleased to announce the consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2023 (the "**Year**"), together with the comparative figures for the corresponding periods in 2022 (the "**Prior Year**"), as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 *RMB'000*
Revenue			
Finance leasing income		**25,077**	35,699
Operating lease income		**816**	–
Interest income from loan receivables		**7**	1,551
Income from postpartum care services		**28,438**	50,809
Income from trading of medical equipment and consumables		**416,998**	236,539
Income from IT services		**26,619**	–
Total revenue	*3*	**497,955**	324,598
Cost of sales		**(375,034)**	(185,610)
Bank interest income		**141**	102
Other gains and losses, net	*5*	**(480)**	3,538
Staff costs	*8*	**(38,715)**	(41,997)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*7*	**(5,962)**	(9,183)
Other operating expenses		**(46,032)**	(55,370)
Finance costs	*6*	**(13,872)**	(13,141)
Profit before income tax	*8*	**18,001**	22,937
Income tax expenses	*9*	**(4,137)**	(7,511)
Profit and total comprehensive income for the year		**13,864**	15,426
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**14,563**	15,813
Non-controlling interests		**(699)**	(387)
		13,864	15,426
Earnings per share for profit attributable to owners of the Company during the year			
— Basic and diluted *(RMB cents)*	*11*	**3.64**	3.95

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,232**	9,786
Investment properties		**24,400**	25,000
Right-of-use assets		**9,876**	16,196
Intangible assets		**34,115**	34,664
Finance lease receivables	*12*	**38,975**	44,346
Refundable deposit		**26,500**	26,500
Deferred tax assets		**9,520**	7,737
Deposits		**4,974**	8,591
		155,592	172,820
CURRENT ASSETS			
Inventories		**4,860**	11,979
Finance lease receivables	*12*	**68,024**	132,969
Loan receivables	*12*	**–**	96
Trade receivables	*13*	**196,987**	132,435
Prepayments, deposits and other receivables		**65,079**	75,046
Other financial assets		**–**	847
Restricted bank deposits		**15,861**	62,378
Pledged bank deposits		**500**	–
Bank balances and cash		**108,260**	13,707
		459,571	429,457
CURRENT LIABILITIES			
Trade and bills payables	*14*	**60,111**	–
Other payables and accrued charges		**74,233**	33,348
Provision for taxation		**15,971**	6,664
Lease liabilities		**6,118**	6,757
Deposits from finance lease customers		**–**	33
Financial guarantee		**2,451**	1,105
Bank and other borrowings	*15*	**101,047**	147,861
		259,931	195,768
NET CURRENT ASSETS		**199,640**	233,689
TOTAL ASSETS LESS CURRENT LIABILITIES		**355,232**	406,509

	Notes	**2023** *RMB'000*	2022 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,453**	4,041
Lease liabilities		**4,736**	10,670
Bank and other borrowings	*15*	**31,754**	80,981
		39,943	95,692
NET ASSETS		**315,289**	310,817
EQUITY			
Share capital		**33,839**	33,839
Reserves		**278,608**	273,022
Equity attributable to owners of the Company		**312,447**	306,861
Non-controlling interests		**2,842**	3,956
TOTAL EQUITY		**315,289**	310,817

1. GENERAL INFORMATION

Ziyuanyuan Holdings Group Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's immediate and ultimate holding company is Hero Global Limited.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new or amendments to HKFRSs

The HKICPA has issued a number of new or amendments to HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2	Making Materiality Judgements, Disclosure of Accounting Policies
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates
Amendments to HKAS 12	Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	Income Taxes on Pillar Two Model Rules, International Tax Reform – Pillar Two Model Rules

The new or amendments to HKFRSs did not have any significant impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amendments to HKFRSs that is not yet effective for the current accounting period.

3. REVENUE

Revenue for the year represents finance leasing income, operating lease income, interest income on loan receivables, income from postpartum care services, income from trading of medical equipment and consumables and income from IT services in the PRC. The amounts of each significant category of revenue recognised in revenue during the year are as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Income from postpartum care services	**28,438**	50,809
Income from trading of medical equipment and consumables	**416,998**	236,539
Income from IT services	**26,619**	–
	472,055	287,348
Revenue from other sources		
Finance leasing income	**25,077**	35,699
Operating lease income	**816**	–
Interest income from loan receivables	**7**	1,551
	25,900	37,250
	497,955	324,598

4. SEGMENT INFORMATION

For the year ended, and as at, 31 December 2023, information regarding the Group's reportable segments provided to the Group's most senior management (i.e. the executive directors, being the chief operating decision maker) is set out below:

2023

	Finance leasing service *RMB'000*	Trading business *RMB'000*	Postpartum care service *RMB'000*	Other *RMB'000*	Total *RMB'000*
Reportable segment revenue (external customers)	25,084	416,998	28,438	27,435	497,955
Reportable segment profit/(loss)	5,834	34,194	(5,851)	4,532	38,709
Change in fair value of investment properties					(600)
Other corporate income					21
Other corporate expenses					(6,257)
Finance costs					(13,872)
Profit before income tax					18,001
Impairment losses of receivables (net)	(712)	(3,904)	–	–	(4,616)
Impairment loss of goodwill	–	–	(1,186)	–	(1,186)
Provision for financial guarantee	–	(1,346)	–	–	(1,346)
Interest income	23	109	8	1	141
Depreciation of property, plant and equipment	(3,032)	(10)	(886)	(103)	(4,031)
Depreciation of right-of-use assets	(774)	(47)	(6,721)	(97)	(7,639)

	Finance leasing service *RMB'000*	Trading business *RMB'000*	Postpartum care service *RMB'000*	Other *RMB'000*	Total *RMB'000*
Reportable segment assets	**146,737**	**349,699**	**71,399**	**11,434**	**579,269**
Property, plant and equipment					**464**
Investment properties					**24,400**
Prepayments, deposits and other receivables					**1,262**
Deferred tax assets					**9,520**
Bank balances and cash					**67**
Right-of-use assets					**181**
Group assets					**615,163**
Reportable segment liabilities	**104,042**	**129,524**	**44,514**	**1,004**	**279,084**
Other payables and accrued charges					**1,366**
Provision for taxation					**15,971**
Deferred tax liabilities					**3,453**
Group liabilities					**299,874**

2022

	Finance leasing service *RMB'000*	Trading business *RMB'000*	Postpartum care service *RMB'000*	Total *RMB'000*
Reportable segment revenue (external customers)	37,250	236,539	50,809	324,598
Reportable segment profit/(loss)	4,161	38,227	(1,717)	40,671
Fair value gain on other financial assets				2,150
Change in fair value of investment properties				29
Other corporate income				240
Other corporate expenses				(7,012)
Finance costs				(13,141)
Profit before income tax				22,937
Impairment losses of receivables (net)	(2,558)	(5,520)	–	(8,078)
Impairment loss of goodwill	–	–	(656)	(656)
Provision for financial guarantee	–	(1,105)	–	(1,105)
Interest income	56	13	29	98
Interest expenses	(10,096)	–	(2,618)	(12,714)
Depreciation of property, plant and equipment	(2,162)	(2)	(1,945)	(4,109)
Depreciation of right-of-use assets	(967)	–	(8,057)	(9,024)

	Finance leasing service *RMB'000*	Trading business *RMB'000*	Postpartum care service *RMB'000*	Total *RMB'000*
Reportable segment assets	270,011	214,970	81,736	566,717
Property, plant and equipment				920
Investment properties				25,000
Prepayments, deposits and other receivables				339
Deferred tax assets				7,737
Bank balances and cash				471
Other financial assets				847
Right-of-use assets				246
Group assets				602,277
Reportable segment liabilities	191,765	30,101	53,508	275,374
Other payables and accrued charges				5,117
Provision for taxation				6,664
Lease liabilities				264
Deferred tax liabilities				4,041
Group liabilities				291,460

5. OTHER GAINS AND LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Fair value gain on other financial assets	**–**	2,150
Change in fair value of investment properties	**(600)**	29
Government subsidies	**707**	756
Exchange gain, net	**334**	353
Gain from right to sell	**–**	847
Impairment loss on goodwill	**(1,186)**	(656)
Gain on lease termination	**397**	–
Rental income	**311**	–
Others	**(443)**	59
	(480)	3,538

6. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Imputed interest on interest-free deposits from finance lease customers	**21**	55
Interest on bank and other borrowings	**12,447**	12,345
Interest on discounted bills	**4**	–
Interest on lease liabilities	**1,400**	741
Total interest expense on financial liabilities not measured at fair value through profit or loss.	**13,872**	13,141

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2023	2022
	RMB'000	*RMB'000*
Impairment losses/(reversal of impairment losses) recognised on:		
– Trade receivables	**3,904**	5,520
– Finance lease receivables	**713**	2,564
– Loan receivables	**(1)**	(6)
– Financial guarantee	**1,346**	1,105
	5,962	9,183

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2023	2022
	RMB'000	*RMB'000*
Directors' emoluments	**4,581**	3,200
Other staff costs:		
– Salaries, allowances and other staff benefits	**32,273**	36,639
– Staffs' retirement benefit scheme contributions	**4,708**	5,974
Total staff costs	**41,562**	45,813
Less: staff costs recognised as research and development costs in other operating expenses	**(2,847)**	(3,816)
Staff costs recognised in profit or loss	**38,715**	41,997
Amortisation of intangible assets	**2,434**	1,125
Auditor's remuneration		
– audit service	**1,244**	1,164
– non-audit service	**–**	86
	1,244	1,250
Cost of inventories sold	**359,274**	185,610
Depreciation of property, plant and equipment	**4,071**	4,216
Depreciation of right-of-use assets	**7,789**	9,222
Property, plant and equipment written off	**14**	164
Research and development costs recognised as an expense (included in other operating expenses)	**3,091**	4,080
Postpartum care services costs recognised as an expense (included in other operating expenses)	**8,081**	14,845
Short-term lease expense	**1,061**	5,486

9. INCOME TAX EXPENSES

	2023	2022
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	**6,255**	8,807
– Over-provision in prior year	**(492)**	–
– PRC withholding tax	**745**	–
	6,508	8,807
Deferred tax	**(2,371)**	(1,296)
	4,137	7,511

10. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Final dividend paid in respect of prior year of HK2.5 cents (2022: HK2.5 cents) per share	**8,977**	8,475

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB14,563,000 (2022: RMB15,813,000) and on the weighted average number of ordinary shares in issue during the year of 400,000,000 (2022: 400,000,000).

Diluted earnings per share is the same as basic earnings per share as there was no dilutive potential ordinary share in issue during both years.

12. FINANCE LEASE RECEIVABLES/LOAN RECEIVABLES

Finance lease receivables

	Minimum lease payments		**Present value of minimum lease payments**	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprises:				
Within one year	**95,682**	171,397	**92,567**	155,206
In the second year	**20,376**	41,287	**19,133**	39,862
In the third year	**22,846**	6,290	**19,769**	6,004
	138,904	218,974	**131,469**	201,072
Less: Unearned finance income	**(7,435)**	(17,902)	–	–
Present value of minimum lease payments	**131,469**	201,072	**131,469**	201,072
Less: lifetime ECL allowance	**(24,470)**	(23,757)	**(24,470)**	(23,757)
	106,999	177,315	**106,999**	177,315
Represented by:				
Current assets			**68,024**	132,969
Non-current assets			**38,975**	44,346
			106,999	177,315

Loan receivables

	2023	2022
	RMB'000	*RMB'000*
Fixed-rate loan receivables:		
Within one year	**–**	97
Less: 12 months ECL allowance	**–**	(1)
	–	96

13. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**206,411**	137,955
Less: Provision for impairment loss	**(9,424)**	(5,520)
	196,987	132,435

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

	2023	2022
	RMB'000	*RMB'000*
1–30 days	**162,587**	95,482
31–60 days	**23,938**	6,435
61–90 days	**4,510**	4,065
91–180 days	**5,497**	22,135
181–365 days	**455**	4,318
	196,987	132,435

14. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables *(note i)*	**59,611**	–
Bills payable	**500**	–
	60,111	–

(i) An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Up to 3 months	**59,480**	–
3 to 6 months	**131**	–
	59,611	–

15. BANK AND OTHER BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Bank borrowings due for repayment within one year		
– Unsecured and guaranteed	**23,789**	12,734
– Secured and guaranteed	**30,000**	30,000
– Unsecured and unguaranteed	**–**	10,000
	53,789	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	**81,389**	81,723
Other borrowings from a finance lease company		
– Due for repayment within one year	**47,258**	95,127
– Due for repayment more than one year	**4,154**	51,992
	51,412	147,119
Total bank and other borrowings	**132,801**	228,842

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, 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 Year, 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 4,800 SMEs customers across 30 provinces, municipalities and autonomous regions in the PRC as at 31 December 2023. The Group recorded a revenue of RMB25.1 million from the finance leasing services during the Year.

The Group faces a variety of risks in providing finance leasing services, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. The Group recognises the importance of an effective risk management system for identifying and mitigating these risks. The Group has developed a risk management system tailored to the characteristics of our business operations, with a focus on managing the risks through comprehensive due diligence on the customer, independent information review and multi-level approval process. The Group continues to monitor and review the operation and performance of the risk management system, and to improve the system from time to time to adapt to the changes in market conditions and regulatory environment. The core principle of risk management system is to minimise such risks in business activities and to protect the long-term interests of the Group and the Shareholders.

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, postpartum care centres（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.

The maternal and child postpartum care industry services recorded a decrease in revenue and a segment loss of RMB5.9 million during the Year. It was mainly attributable to (i) the restriction of the epidemic control measures, the Group's postpartum care centers were not able to operate normally during part of the year, which made customers unable to check in on time and orders being returned; and (ii) 3 postpartum care centers of the Group ceased operations prior year or this year.

Profit guarantees in relation to the acquisitions of subsidiaries

On 22 July 2020, the Group entered into an investment agreement and a shareholders' agreement (the "**Desheng Meimei Agreements**") with a vendor (the "**Vendor**") to acquire 51% equity interest in Wuhan Desheng Meimei Health Management Co., Ltd. ("**Desheng Meimei**"), a company incorporated in the PRC with the consideration of RMB3.4 million ("**Desheng Meimei Consideration**"). Desheng Meimei is engaged in the provision of postpartum care services in the PRC. As all applicable percentage ratios (as defined under the GEM Listing Rules) in respect of Desheng Meimei Agreements were less than 5%, Desheng Meimei Agreements does not constitute a disclosable transaction of the Company under Chapter 19 of the GEM Listing Rules. Details of the acquisition were set out in Note 30 to the consolidated financial statements in the Company's annual report for the year ended 31 December 2020.

Pursuant to the Desheng Meimei Agreements and the supplemental agreement to the Desheng Meimei Agreements, the Vendor agreed to provide profit guarantee to the Group that Desheng Meimei shall attain the net profit after tax no less than RMB1.8 million and RMB2.2 million for the period from the date of completion of the acquisition (the "**Desheng Meimei Completion Date**") to 31 December 2022 and year ended 31 December 2023 respectively ("**Desheng Meimei Profit Guarantee**"). In the event the Desheng Meimei Profit Guarantee is not fully met for any period during the commitment period, the Group has the option to request the Vendor to (i) repurchase the 51% equity interest in Desheng Meimei from the Group. The repurchase consideration of Desheng Meimei is calculated as Desheng Meimei Consideration plus interest of 8% p.a. from the Desheng Meimei Completion Date; or (ii) compensate the shortfall of Desheng Meimei Profit Guarantee, i.e. the difference between Desheng Meimei Profit Guarantee and the actual profit after tax of the corresponding guarantee period.

Based on the actual financial information, the actual profit after tax of the Desheng Meimei for the period from the Desheng Meimei Completion Date to 31 December 2022 was approximately RMB0.9 million, as a result, the Desheng Meimei Profit Guarantee was not met. After reviewing the forecast of Desheng Meimei and the information currently available to the Group, the Group has exercised the right to request the Vendor to repurchase the 51% equity interest in Desheng Meimei from the Group during the Year. However, the Vendor failed to fulfil the obligation of repurchase in accordance with the Desheng Meimei Agreements. In August 2023, the Group has filed a lawsuit against the Vendor due to the above mentioned dispute. In December 2023, the Group received the Civil Judgment served by the Shenzhen Nanshan District People's Court and the Vendor was ordered by the Court to buy back the 51% equity interest of Desheng Meimei. The Vendor has filed an appeal petition subsequently. No date has been fixed for the hearing of the said appeal.

On 4 December 2020, the Group entered into an equity transfer agreement, an investment agreement and a shareholders' agreement (the "**Jiaenbei Agreements**") with vendors to purchase 54% of equity interest of Wuhan Jiaenbei Health Management Co. Ltd. ("**Jiaenbei**"), a limited liability company incorporated in the PRC with consideration of RMB3.24 million ("**Jiaenbei Consideration**"). Jiaenbei is engaged in provision of postpartum care service in the PRC. As all applicable percentage ratios (as defined under the GEM Listing Rules) in respect of Jiaenbei Agreements were less than 5%, Jiaenbei Agreements does not constitute a disclosable transaction of the Company under Chapter 19 of the GEM Listing Rules. Details of the acquisition were set out in Note 32(a) to the consolidated financial statements in the Company's annual report for the year ended 31 December 2021.

Pursuant to the Jiaenbei Agreements, the vendors of Jiaenbei agreed to provide profit guarantee to the Group that Jiaenbei shall attain the net profit after tax no less than RMB1.0 million for each of the period from the date of completion of the acquisition (the "**Jiaenbei Completion Date**") to 31 December 2021, year ended 31 December 2022 and year 31 December 2023 respectively ("**Jiaenbei Profit Guarantee**"). In the event the Jiaenbei Profit Guarantee is not fully met for any period during the commitment period, the Group has the option to request the vendors to (i) repurchase the 54% equity interest in Jiaenbei from the Group. The repurchase consideration of Jiaenbei is calculated as Jiaenbei Consideration plus interest of 10% p.a. from the Jiaenbei Completion Date; or (ii) compensate the shortfall of Jiaenbei Profit Guarantee, i.e. the difference between Jiaenbei Profit Guarantee and the actual profit after tax of the corresponding guarantee period.

Based on the actual financial information, the actual profit after tax of the Jiaenbei for the period from the Jiaenbei Completion Date to 31 December 2021 was approximately RMB1.0 million, as a result, the Jiaenbei Profit Guarantee was met and the actual profit after tax of the Jiaenbei for the year ended 31 December 2022 was approximately RMB0.3 million, as a result, the Jiaenbei Profit Guarantee was not met. After reviewing the forecast of Jiaenbei and the information available to the Group, the Group decided neither exercised the option to request the vendors to repurchase the 54% equity interest in Jiaenbei from the Group nor requested the vendors to compensate the shortfall of Jiaenbei Profit Guarantee for the year ended 31 December 2022. The Group entered into a supplemental agreement with the vendors, the vendors agreed to revise the Jiaenbei Profit Guarantee that Jiaenbei shall attain the net profit after tax no less than RMB1.0 million for each of the year ended 31 December 2023 and year ending 31 December 2024 respectively.

Based on the actual financial information, the actual profit after tax of the Jiaenbei for the year ended 31 December 2023 was approximately RMB0.3 million, as a result, the Jiaenbei Profit Guarantee was not met. After reviewing the forecast of Jiaenbei and the information currently available to the Group, the Group decided neither exercise the option to request the vendors to repurchase the 54% equity interest in Jiaenbei from the Group nor request the vendors to compensate the shortfall of Jiaenbei Profit Guarantee for the year ended 31 December 2023. The Group entered into a further supplemental agreement with the vendors, the vendors agreed to revise the Jiaenbei Profit Guarantee that Jiaenbei shall attain the net profit after tax no less than RMB1.0 million for each of the year ending 31 December 2024 and year ending 31 December 2025 respectively.

Impairment of goodwill

The Group performed a year end annual impairment test on goodwill. Taking into consideration of Guangzhou Sheng Cheng Dunnan Enterprise Management Co., Limited ("**Dunnan**") and its subsidiaries ("**Dunnan Group**") suffered a loss for the Year, one of the postpartum care centres were ceased operations during the Year and the unfavourable market condition facing by Dunnan Group, the Group determined that there was an indication for impairment on the goodwill arising from the acquisition of the Dunnan Group. An impairment loss on goodwill amounted to approximately RMB1.2 million was recognised for the Year. Except the above, the Group did not recognise any impairment loss of goodwill in relation to the other acquisitions.

Trading of medical equipment 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. The Group recorded a revenue of RMB417.0 million from the trading medical equipment and consumables business for the Year.

OUTLOOK

Since its establishment, based on finance leasing services, the Group has been steadily growing, adhering to the corporate spirit of "excellence, innovation, integrity, and win-win". Our business operations have spread across all provinces and cities in the country. Through the professional team operation and the guidance of modern management concepts, the Group continuously optimises its industrial structure and integrates its resources in order to realise the business objectives of win-win economic and social benefits. The Group's finance leasing services focus on the impact of the epidemic on the increase in customers' overdue rate, and risk management is centred on lowering the internal rate of return in order to enhance the quality of assets and minimise risks to protect shareholders' interests. The Group expects that after the epidemic, the healthcare industry will become a new economic breakthrough with great potential for value addition, and the Group has 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, to help upgrade the healthcare industry, but also to diversify the Group's income point.

As early as the "The Outline of the 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives through the Year 2035 of the People's Republic of China" (referred to as the "**14th Five-Year Plan**") released in March 2021, it emphasized the key layout for medical equipment. The healthy development of the medical equipment industry is closely related to the long-term national policy of promoting the development of the medical equipment industry. China's medical equipment industry has maintained a high growth rate and become the second largest market in the world. The optimization of the policy environment, the improvement of national health awareness, and medical technology innovation have all provided strong momentum for the industry's development. Especially under the impetus of the 14th Five-Year Plan, the medical equipment industry is expected to usher in a new peak of development.

In August 2023, the "Pharmaceutical Industry High-Quality Development Action Plan (2023-2025)" and the "Medical Equipment Industry High-Quality Development Action Plan (2023-2025)" were released, aiming to improve the resilience and modernization level of the pharmaceutical industry and medical equipment industry, enhance the supply capacity of high-end medical equipment, key technologies, as well as raw materials, and accelerate the filling of gaps in China's high-end medical equipment.

In March 2024, the State Council of China issued the "Action Plan for Promoting Large-Scale Equipment Renewal and Consumer Goods Replacement" (hereinafter referred to as the "Action Plan"). It pointed out that by 2027, the scale of equipment investment in industries such as industry, agriculture, construction, transportation, education, culture and tourism, and healthcare would increase by more than 25% compared to 2023. The Action Plan clearly states the goal of improving the level of medical equipment. It specifies the strengthening of the construction of a high-quality and efficient medical and health service system, promoting the upgrade of medical and information technology facilities in healthcare institutions, encouraging eligible medical institutions to accelerate the renewal and transformation of medical equipment such as medical imaging, radiotherapy, telemedicine, and surgical robots. It also promotes the transformation and upgrade of medical institution wards, filling the gaps in ward environments and facilities.

The Group's medical equipment and consumables trading business aligns with national policies, focusing on promoting the development of the medical equipment industry. The Group, through the existing medical equipment and consumables trading business of the Shenzhen Ruiheng Medical Supply Chain Co., Ltd. integrates supply chain resources, opens up the upstream and downstream of the supply chain, with supply chain planning and distribution (SPD), Internet plus medical and trade installments, so as to provide one-stop solutions for customers all over the country.

The epidemic has affected most of the maternal and child postpartum care centres. The State opens up the three-child policy and promotes age-appropriate marriage and childbirth. The standard of childcare services is raised and a system of inclusive childcare services is developed. The full liberalisation of the "threechild policy" has increased the proportion of older mothers and multi-child families, further stimulating the demand for maternal and child postpartum care centres in the consumer market. In the post-epidemic era, the industry is poised for renewed development opportunities, with good prospects for growth. According to research data, more than 90% of consumers recognise maternal and child postpartum care centres and more than 90% recognise the professionalism of maternal and child postpartum care centres, so the Group expects a promising future for its services in the maternal and child postpartum care industry. Through Shenzhen Meijiaer Health Management Co., Ltd., the Group focuses on the provision of maternal and child postpartum care industry services in the PRC. In the future, the Group will continue to consolidate its services in the maternal and child postpartum care industry, based on modern medicine, enhances its hardware and software services through digitisation and intelligence, and build a mother and baby ecosystem with full industry chain coverage.

FINANCIAL REVIEW

Revenue

Revenue consists of (i) finance leasing income and interest income from loan receivables in finance leasing services; (ii) operating lease income; (iii) postpartum care services income; (iv) income from trading of medical equipment and consumables; and (v) Income from IT services. The Group's revenue increased by approximately RMB173.4 million or approximately 53.4%, from approximately RMB324.6 million for the year ended 31 December 2022 (the "**Prior Year**") to approximately RMB498.0 million for the Year. The increase in revenue for the Year was mainly attributable to (i) income from trading of medical equipment and consumables increased from approximately RMB236.5 million for the Prior Year to approximately RMB417.0 million for the Year; (ii) operating lease income from RMB nil for the Prior Year to approximately RMB0.8 million for the Year; and (iii) income from IT services from RMB nil for the Prior Year to approximately RMB26.6 million for the Year, which offsetting (i) the finance leasing income decreased from approximately RMB37.3 million for the Prior Year to approximately RMB25.1 million for the Year; and (ii) postpartum care services income decreased from approximately RMB50.8 million for the Prior Year to approximately RMB28.4 million for the Year.

Cost of sales

The cost of sales include primarily the cost of medical equipment and consumables sold. The cost of sales increased from approximately RMB185.6 million for the Prior Year to approximately RMB375.0 million for the Year.

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 RMB42.0 million for the Prior Year to approximately RMB38.7 million For the Year.

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 Year, an additional impairment loss of approximately RMB6.0 million (2022: RMB9.2 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, travel and transportation expenses, promotion expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible asset, short-term leases payments, research and development costs and the miscellaneous expenses of postpartum care businesses. Other operating expenses decreased from approximately RMB55.4 million for the Prior Year to approximately RMB46.0 million for the Year. The decrease was mainly attributable to (i) the miscellaneous expenses of postpartum care businesses decreased from approximately RMB14.8 million for the Prior Year to approximately RMB8.1 million for the Year; (ii) short-term leases payments decreased from approximately RMB5.5 million for the Prior Year to approximately RMB1.1 million for the Year; and (iii) depreciation of right-of-use assets decreased from approximately RMB9.2 million for the Prior Year to approximately RMB7.8 million for the Year, which offsetting promotion expenses increased from approximately RMB2.1 million for the Prior Year to approximately RMB5.1 million for the Year.

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; (iii) interests on lease liabilities; and (iv) interest on discounted bills. Finance costs increased from approximately RMB13.1 million for the Prior Year to approximately RMB13.9 million for the Year. The increase was mainly due to the interests on lease liabilities increased from approximately RMB0.7 million Prior Year to approximately RMB1.4 million for the Year.

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 Year attributable to owners of the Company

During the Year and Prior Year, the Group's profit and total comprehensive income attributable to owners of the Company were approximately RMB14.6 million and RMB15.8 million, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company for the Year was mainly attributable to (i) the decrease in finance leasing income and income from postpartum care services; and (ii) the decrease in other gains and losses, net which offsetting (i) the increase in income from trading of medical equipment and consumables; (ii) the decrease in impairment losses under expected credit loss model, net of reversal; and (iii) the decrease in other operating expenses as compared to the Prior Year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2023, bank balances and cash were approximately RMB108.3 million (2022: RMB13.7 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB199.6 million (2022: RMB233.7 million) and approximately RMB315.3 million (2022: RMB310.8 million), respectively.

As at 31 December 2023, the Group's bank and other borrowings due within one year were amounted to approximately RMB101.0 million (2022: RMB147.9 million) and the Group's bank and other borrowings due after one year were amounted to approximately RMB31.8 million (2022: RMB80.9 million).

As at 31 December 2023, the gearing ratio was approximately 29.6% (2022: 42.4%), which is calculated as bank and other borrowings divided by total equity plus bank and other borrowings. Such decrease was mainly due to the decrease in the Group's financial leasing business, resulting in a decrease in demand for bank and other borrowings.

CAPITAL STRUCTURE

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 December 2023, the Company's issued share capital was HK$40,000,000 and the number of its issued ordinary Shares was 400,000,000.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the Year were principally denominated in RMB, and most of the assets and liabilities as at 31 December 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 Year.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments RMB18.8 million in respect of the acquisition of a subsidiary and purchase of computer software (2022: RMB13.5 million).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2023, the Group's finance lease receivables and loan receivables with an aggregate carrying values of approximately RMB72.1 million (2022: RMB143.5 million) were pledged to a bank and a finance lease company in the PRC to secure bank and other borrowings of the Group.

As at 31 December 2023 and 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 due to certain conditions precedent were not fulfilled as at 31 December 2023. Details of the acquisition are set out in the Company's announcements dated 29 December 2022, 4 January 2023, 30 June 2023 and 29 December 2023.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Group did not have other future plans for material investments or capital assets.

CONTINGENT LIABILITIES

Save as disclosed in this annual report, the Group did not have other significant contingent liabilities.

HUMAN RESOURCES

As at 31 December 2023, the Group had 184 employees (2022: 281 employees) with total staff cost of approximately RMB41.6 million incurred during the Year (2022: RMB45.8 million), which included the employees retirement benefit expense incurred during the Year of approximately RMB4.7 million (2022: RMB6.0 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. The Group did not experience any material labour disputes during the Year.

COMPETING INTEREST

During the Year, 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 ("**Mr. Zhang**"), Mr. Zhang Junwei, and their respective holding companies, namely Hero Global Limited and 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 Year 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 Year 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. As the Shares were listed on the GEM of the Stock Exchange on 9 July 2018, other than the deviation from code provision C.2.1, the Company has since then 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.

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 is the Chairman and 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 and believes that his appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

During the Year and 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.

EVENT AFTER THE REPORTING PERIOD

On 29 December 2023, the Company (as issuer) entered into two Subscription Agreements with two subscribers in respect of the subscription of an aggregate of 30,000,000 shares of the Company at the subscription price of HK$1.47 per share (the "**Subscription**"). The Subscription was completed on 12 January 2024 and an aggregate of 30,000,000 shares of the Company were issued and allotted to two subscribers. After deducting related fees and expenses, the net proceeds of the Subscription amounted to approximately HK$43,500,000. The Company intends to utilise the aforesaid net proceeds from the Subscription for the working capital to develop the finance leasing business and the trading of medical equipment and consumables business of the Group. For details, please refer to the announcements of the Company dated 29 December 2023 and 12 January 2024 and the next day disclosure return dated 12 January 2024.

Save as disclosed in this announcement, the Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2023 and up to the date of this announcement.

FINAL DIVIDENDS

Dividend Policy

The Company has no fixed dividend policy. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

In addition, as our Company is a holding company registered in the Cayman Islands and our operations are conducted through our subsidiaries in the PRC, the availability of funds to pay distributions to Shareholders depends on dividends received from these subsidiaries.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK2.5 cents).

CLOSURE OF REGISTER OF MEMBERS FOR THE ANNUAL GENERAL MEETING

For the purpose of determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Friday, 31 May 2024 (the "**2024 AGM**"), the register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 31 May 2024 will be entitled to attend and vote at the 2024 AGM. In order to qualify for attending and voting at the 2024 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 May 2024.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the Year. The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

INDEPENDENCE OF INDEPENDENT NON- EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.ziyygroup.com). The annual report of the Group for the Year containing all the information required by the GEM Listing Rules will be despatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Ziyuanyuan Holdings Group Limited
Zhang Junshen
Chairman and Chief Executive Officer

Hong Kong, 27 March 2024

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.