



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 2024**

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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024 (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 2024 (the “**Period**”), together with the unaudited comparative figures for the corresponding periods in 2023 (the “**Prior Period**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3		
Income from trading of medical equipments and consumables		160,410	147,171
Finance leasing income		6,983	12,875
Interest income from loan receivables		–	6
Income from postpartum care services		11,924	15,571
Income from IT services		8,009	–
Total revenue		187,326	175,623
Cost of sales		(140,752)	(117,429)
Bank interest income		51	29
Other gains and losses, net	4	382	223
Staff costs	8	(13,705)	(20,712)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	5	(1,854)	(1,746)
Other operating expenses		(17,807)	(21,011)
Finance costs	6	(5,217)	(7,641)
Profit before income tax		8,424	7,336
Income tax expenses	7	(2,241)	(1,572)
Profit and total comprehensive income for the period	8	<u>6,183</u>	<u>5,764</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		6,042	6,115
Non-controlling interests		141	(351)
		<u>6,183</u>	<u>5,764</u>
Earnings per share for profit attributable to owners of the Company during the period			
– Basic and diluted (RMB cents)	10	<u>1.41</u>	<u>1.53</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		20,204	7,232
Investment properties		23,900	24,400
Right-of-use assets		26,616	9,876
Intangible assets		44,605	34,115
Finance lease receivables	<i>11</i>	54,748	38,975
Refundable deposit		–	26,500
Deferred tax assets		9,337	9,520
Deposits	<i>13</i>	2,172	4,974
		181,582	155,592
CURRENT ASSETS			
Inventories		54,842	4,860
Finance lease receivables	<i>11</i>	58,941	68,024
Trade receivables	<i>12</i>	178,376	196,987
Prepayments, deposits and other receivables	<i>13</i>	145,060	65,079
Financial assets at fair value through profit or loss (“FVTPL”)		703	–
Restricted bank deposits		12,362	15,861
Pledged bank deposits		–	500
Bank balances and cash		24,051	108,260
		474,335	459,571
CURRENT LIABILITIES			
Trade and bills payables	<i>14</i>	25,937	60,111
Other payables and accrued charges		34,531	74,233
Provision for taxation		17,336	15,971
Lease liabilities		6,517	6,118
Financial guarantee		2,456	2,451
Bank and other borrowings	<i>15</i>	102,842	101,047
		189,619	259,931
NET CURRENT ASSETS		284,716	199,640
TOTAL ASSETS LESS CURRENT LIABILITIES		466,298	355,232

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		3,802	3,453
Lease liabilities		24,522	4,736
Bank and other borrowings	<i>15</i>	76,502	31,754
		104,826	39,943
NET ASSETS			
		361,472	315,289
EQUITY			
Share capital	<i>16</i>	36,559	33,839
Reserves		321,930	278,608
Equity attributable to owners of the Company		358,489	312,447
Non-controlling interests		2,983	2,842
TOTAL EQUITY			
		361,472	315,289

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

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 2024 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, income from trading of medical equipments and consumables and income from IT services in the PRC. The amounts of each significant category of revenue recognised in revenue during the period are as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Income from trading of medical equipments and consumables	160,410	147,171
Income from postpartum care services	11,924	15,571
Income from IT services	8,009	–
	<u>180,343</u>	<u>162,742</u>
Revenue from other sources		
Finance leasing income	6,983	12,875
Interest income from loan receivables	–	6
	<u>6,983</u>	<u>12,881</u>
	<u>187,326</u>	<u>175,623</u>

4. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value gain on financial assets at FVTPL	3	4
Change in fair value of investment properties	(500)	(461)
Government subsidies	555	317
Exchange gain, net	245	104
Rental income	202	49
Others	(123)	210
	<u>382</u>	<u>223</u>

5. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS (“ECL”) MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Impairment losses recognised (reversed) on:		
– finance lease receivables	2,860	1,695
– loan receivables	–	(1)
– trade receivables	(1,011)	(779)
– financial guarantee	5	831
	<u>1,854</u>	<u>1,746</u>
	<u>1,854</u>	<u>1,746</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interests on bank and other borrowings	4,563	7,086
Imputed interests on interest-free deposits from finance lease customers	–	21
Interests on lease liabilities	654	534
	<u>5,217</u>	<u>7,641</u>
	<u>5,217</u>	<u>7,641</u>

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The charge (credit) comprises:		
Current tax		
– PRC Enterprise Income Tax	1,709	1,423
Deferred tax	532	149
	<u>2,241</u>	<u>1,572</u>
	<u>2,241</u>	<u>1,572</u>

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Directors' emoluments	1,423	2,066
Other staff costs		
– Salaries, allowances and other staff benefits	11,758	17,392
– Staffs' retirement benefit scheme contributions	1,833	2,523
	<hr/>	<hr/>
Total staff costs	15,014	21,981
Less: staff costs recognised as research and development costs	(1,309)	(1,269)
	<hr/>	<hr/>
Staff costs recognised in profit or loss	13,705	20,712
	<hr/>	<hr/>
Amortisation of intangible assets	1,456	510
Cost of inventories sold	140,752	117,429
Depreciation of property, plant and equipment	2,294	2,011
Depreciation of right-of-use assets	3,603	4,368
Research and development costs recognised as an expense (included in other operating expenses)	1,480	1,336
Short-term leases payments	521	718
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9. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>6,042</u>	<u>6,115</u>

	Six months ended 30 June	
	2024	2023
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>428,187</u>	<u>400,000</u>

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.

11. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Finance lease receivables comprises:				
Within one year	88,034	95,682	85,683	92,567
In the second year	29,978	20,376	26,569	19,133
In the third year	31,183	22,846	28,767	19,769
	<u>149,195</u>	<u>138,904</u>	<u>141,019</u>	<u>131,469</u>
<i>Less:</i> Unearned finance income	<u>(8,176)</u>	<u>(7,435)</u>	<u>–</u>	<u>–</u>
Present value of minimum lease payments	<u>141,019</u>	<u>131,469</u>	<u>141,019</u>	<u>131,469</u>
<i>Less:</i> Lifetime ECL allowance	<u>(27,330)</u>	<u>(24,470)</u>	<u>(27,330)</u>	<u>(24,470)</u>
	<u>113,689</u>	<u>106,999</u>	<u>113,689</u>	<u>106,999</u>
Represented by:				
Current assets			58,941	68,024
Non-current assets			54,748	38,975
			<u>113,689</u>	<u>106,999</u>
			<u>113,689</u>	<u>106,999</u>
			30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Past due by:				
1 – 30 days			1,006	1,377
31 – 90 days			2,005	2,061
More than 90 days			3,038	10,706
			<u>6,049</u>	<u>14,144</u>
			<u>6,049</u>	<u>14,144</u>

12. TRADE RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	186,789	206,411
Less: Provision for impairment loss	(8,413)	(9,424)
	<u>178,376</u>	<u>196,987</u>

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
1-30 days	164,412	162,587
31-60 days	8,719	23,938
61-90 days	3,885	4,510
91-180 days	1,232	5,497
181-365 days	128	455
	<u>178,376</u>	<u>196,987</u>

The ageing analysis of trade receivables as at the end of the reporting period, based on due date and net of allowances, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Current (not past due):	137,026	175,921
1 – 30 days past due	5,974	–
31 – 90 days past due	18,938	–
91 – 365 days past due	122	20,954
Over 365 days past due	16,316	112
	<u>178,376</u>	<u>196,987</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		30 June	31 December
		2024	2023
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Audited)
Prepayments to suppliers		134,383	57,046
Security deposits	<i>(i)</i>	5,681	6,934
Refundable rental deposits	<i>(ii)</i>	2,984	1,952
Other receivables		4,184	4,121
		<u>147,232</u>	<u>70,053</u>

Notes:

		30 June	31 December
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Audited)
(i) Represented by:			
– Current portion		5,681	3,102
– Non-current portion		–	3,832
		<u>–</u>	<u>3,832</u>
(ii) Represented by:			
– Current portion		812	810
– Non-current portion		2,172	1,142
		<u>2,172</u>	<u>1,142</u>

14. TRADE AND BILLS PAYABLES

		30 June	31 December
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Trade payables (<i>Note i</i>)		25,937	59,611
Bills payable		–	500
		<u>25,937</u>	<u>60,111</u>

The trade payables are normally repayable within one year.

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Up to 3 months	25,731	59,480
3 to 6 months	<u>206</u>	<u>131</u>
	<u>25,937</u>	<u>59,611</u>

The credit period granted by the Group's suppliers ranges from 0 to 120 days.

15. BANK AND OTHER BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bank borrowings due for repayment within one year		
– Unsecured and guaranteed	52,100	23,789
– Secured and guaranteed	<u>30,000</u>	<u>30,000</u>
	<u>82,100</u>	<u>53,789</u>
Bank borrowings due for repayment more than one year		
– Secured and guaranteed	<u>76,502</u>	<u>27,600</u>
	<u>76,502</u>	<u>27,600</u>
Total bank borrowings	<u>158,602</u>	<u>81,389</u>
Other borrowings from a finance lease company		
– Due for repayment within one year	20,742	47,258
– Due for repayment more than one year	<u>–</u>	<u>4,154</u>
	<u>20,742</u>	<u>51,412</u>
Total bank and other borrowings	<u>179,344</u>	<u>132,801</u>

16. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2023, 31 December 2023 and 30 June 2024	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2023 and 31 December 2023	400,000	40,000
Issue of new shares	<u>30,000</u>	<u>3,000</u>
At 30 June 2024	<u>430,000</u>	<u>43,000</u>
	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Share capital shown in the consolidated statement of financial position	<u>36,559</u>	<u>33,839</u>

17. SUBSEQUENT EVENT

On 14 August 2024, the Company entered into an underwriting agreement (the “**Underwriting Agreement**”) with Raffaello Securities (HK) Limited (the “**Underwriter**”), pursuant to which the Underwriter has conditionally agreed to fully underwrite 86,000,000 rights shares (“**Rights Issue**”), subject to the terms and conditions of the Underwriting Agreement. The proposed Rights Issue is conditional upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriter not terminating the Underwriting Agreement. The Rights Issue involves the issue of up to 86,000,000 rights shares at the subscription price of HK\$1.00 per rights share on the basis of one (1) rights share for every five (5) existing shares in issue on the record date to the qualifying shareholders. The Rights Issue was not completed at the date of this announcement. Details of the Rights Issue are set out in the Company’s announcements dated 14 August 2024 and 23 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

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 4,900 SMEs customers across 30 provinces, municipalities and autonomous regions in the PRC as at 30 June 2024. Facing an increasingly severe business environment, rising operational risks, and progressively stringent corporate governance and regulatory requirements, the business volume and funding needs of our potential clients have been continuously decreasing, resulting in a decline in revenue. The Group recorded a revenue of RMB7.0 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 weak market sentiment and consumption downgrading with consumers becoming more cautious about spending and more focused on price-value proposition, and the continuous decline in the PRC's birth rate, resulting in a decline in revenue in the maternal and child postpartum care industry services. The Group recorded a revenue of RMB11.9 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, the Group recorded a revenue of RMB160.4 million from the trading of medical equipment and consumables business.

OUTLOOK

The Group is still reasonably optimistic to sustain the core business given all the economic uncertainties. 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 2024, 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) 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 RMB11.7 million or approximately 6.7%, from approximately RMB175.6 million for the Prior Period to approximately RMB187.3 million for the Period. The increase in revenue for the Period was mainly attributable to (i) income from trading of medical equipment and consumables increased from approximately RMB147.2 million for the Prior Period to approximately RMB160.4 million for the Period; and (ii) income from IT services from RMB nil for the Prior Period to approximately RMB8.0 million for the Period, which offsetting (i) the finance leasing income decreased from approximately RMB12.9 million for the Prior Period to approximately RMB7.0 million for the Period; and (ii) postpartum care services income decreased from approximately RMB15.6 million for the Prior Period to approximately RMB11.9 million for the Period.

Cost of sales

For the Period, the cost of medical equipment and consumables sold increased to approximately RMB140.8 million (Prior Period: approximately RMB117.4 million).

Staff cost

Staff costs include primarily Directors' remuneration, employee salaries, allowances and other staff benefits as well as employee retirement benefits scheme contributions. Staff costs decreased from RMB20.7 million for the Prior Period to approximately RMB13.7 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 RMB1.9 million (Prior Period: RMB1.7 million) was recognised due to 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 RMB21.0 million for the Prior Period to approximately RMB17.8 million for the Period. The decrease was mainly attributable to (i) sales and marketing expenses decreased from RMB4.4 million for the Prior Period to RMB1.7 million for the Period; and (ii) depreciation of right-of-use assets decreased from RMB4.4 million for the Prior Period to RMB3.6 million for the Period, which offsetting the amortisation of intangible assets increased from RMB0.5 million for the Prior Period to RMB1.5 million for the Period.

Finance costs

Finance costs consist of (i) imputed interest expense on interest-free deposits from finance lease customers; (ii) interest on bank and other borrowings; (iii) interests on lease liabilities; and (iv) interest on discounted bills. Finance costs decreased from approximately RMB7.6 million for the Prior Period to approximately RMB5.2 million for the Period. The decrease was mainly due to the interests on bank and other borrowings decreased from approximately RMB7.1 million for the Prior Period to approximately RMB4.6 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 25% of its taxable income at a tax rate of 20%. 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

During the Period and Prior Period, the Group's profit and total comprehensive income attributable to owners of the Company were approximately RMB6.0 million and RMB6.1 million, respectively.

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 2024, bank balances and cash were approximately RMB24.1 million (31 December 2023: RMB108.3 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB284.7 million (31 December 2023: RMB199.6 million) and approximately RMB361.5 million (31 December 2023: RMB315.3 million), respectively.

As at 30 June 2024, the Group's bank and other borrowings due within one year were approximately RMB102.8 million (31 December 2023: RMB101.0 million) and the Group's bank and other borrowings due after one year were amounted to approximately RMB76.5 (31 December 2023: RMB31.8 million).

As at 30 June 2024, the gearing ratio was approximately 33.2% (31 December 2023: 29.6%), which is calculated as bank and other borrowing divided by total equity plus bank and other borrowing. Such increase was mainly due to an increase in bank and other borrowings for business expansion.

CAPITAL STRUCTURE

As at 30 June 2024, the Company's issued share capital was HK\$43,000,000 and the number of its issued ordinary Shares was 430,000,000.

Subscriptions of new shares under general mandate

On 29 December 2023, the Company entered into two subscription agreements with two subscribers, pursuant to which the Company has agreed to allot and issue, and the two subscribers have conditionally agreed to subscribe for an aggregate of 30,000,000 subscription shares at the subscription price of HK\$1.47 per subscription share (the "**Subscription**"). The Subscription was completed on 12 January 2024. For details of the Subscription, please refer to the announcements of the Company dated 29 December 2023 and 12 January 2024.

The net proceeds from the Subscription was approximately HK\$43.5 million (gross proceeds: approximately HK\$44.1 million) which have been fully utilised as working capital to develop trading of medical equipment and consumable business of the Group.

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 2024 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 2024, the Group had capital commitments of RMB5.3 million in respect of the acquisition of subsidiaries and purchase of computer software (31 December 2023: RMB18.8 million).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2024, certain finance lease receivables and loan receivables with an aggregate carrying value of approximately RMB107.5 million (31 December 2023: RMB72.1 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 2024 and 31 December 2023, 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 acquisition was completed in April 2024. 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 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 2024.

CONTINGENT LIABILITIES

Save as disclosed in this announcement, the Group did not have other significant contingent liabilities as at 30 June 2024.

HUMAN RESOURCES

As at 30 June 2024, the Group had 161 employees (Prior Period: 258 employees) with total staff cost of approximately RMB13.7 million incurred for the Period (Prior Period: RMB20.7 million). The employees retirement benefit expense incurred during the Period was approximately RMB1.8 million (Prior Period: RMB2.5 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

Save as disclosed in Note 17 to the condensed consolidated financial statements, The Directors are not aware of any significant event which had material effect on the Group subsequent to 30 June 2024 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 2024 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, 30 August 2024

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