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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 2021

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.

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 2021, together with the comparative figures for the corresponding periods in 2020, as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
Revenue			
Finance leasing income		50,575	54,584
Interest income from loan receivables		662	1,738
Income from postpartum care services		51,447	2,190
Income from trading of medical equipment and consumables		16,758	—
Total revenue	3	119,442	58,512
Cost of sales		(16,348)	—
Bank interest income		212	46
Other gains and losses	5	4,750	4,467
Staff costs	8	(34,664)	(14,636)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	7	(4,800)	(3,500)
Other operating expenses		(54,430)	(21,438)
Finance costs	6	(7,996)	(8,296)
Profit before income tax	8	6,166	15,155
Income tax credit/(expenses)	9	277	(2,270)
Profit and total comprehensive income for the year		6,443	12,885
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		5,488	12,981
Non-controlling interests		955	(96)
		6,443	12,885
Earnings per share for profit attributable to owners of the Company during the year			
– Basic and diluted (RMB cents)	11	1.37	3.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		12,545	14,567
Right-of-use assets		11,760	10,295
Intangible assets	12	30,145	9,232
Finance lease receivables	13	59,501	84,380
Loan receivables	13	169	864
Prepayments for acquisition of subsidiaries		–	7,200
Deferred tax assets		5,438	5,070
Deposits		6,121	1,017
		<u>125,679</u>	<u>132,625</u>
CURRENT ASSETS			
Inventories		884	–
Finance lease receivables	13	206,903	207,488
Loan receivables	13	823	6,935
Trade receivables	14	501	–
Prepayments, deposits and other receivables		23,122	7,749
Financial assets at fair value through profit or loss (“FVTPL”)		35,322	–
Restricted bank deposits	15	106,023	–
Bank balances and cash		33,492	84,814
		<u>407,070</u>	<u>306,986</u>
CURRENT LIABILITIES			
Other payables and accrued charges		18,984	12,076
Provision for taxation		1,896	6,018
Lease liabilities		6,201	3,491
Deposits from finance lease customers		147	5,422
Deferred income		16	399
Bank and other borrowings	16	117,496	99,730
		<u>144,740</u>	<u>127,136</u>
NET CURRENT ASSETS		<u>262,330</u>	<u>179,850</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>388,009</u>	<u>312,475</u>

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		3,038	1,146
Lease liabilities		6,940	7,729
Deposits from finance lease customers		–	257
Deferred income		–	31
Bank and other borrowings	16	73,709	–
		83,687	9,163
NET ASSETS			
		304,322	303,312
EQUITY			
Share capital		33,839	33,839
Reserves		265,684	268,529
Equity attributable to owners of the Company		299,523	302,368
Non-controlling interests		4,799	944
TOTAL EQUITY			
		304,322	303,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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 equipments and consumables business in the PRC.

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

2.1 Adoption of new or amended HKFRSs

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

- Amendments to HKAS 39, HKFRS 4, HKFRS 7 and HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The new or amended 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 amended HKFRSs that is not yet effective for the current accounting period.

3. REVENUE

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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Finance leasing income	50,575	54,584
Interest income from loan receivables	662	1,738
Income from postpartum care services	51,447	2,190
Income from trading of medical equipment and consumables	16,758	–
	<u>119,442</u>	<u>58,512</u>

4. SEGMENT INFORMATION

For the years ended 31 December 2021 and 2020, information regarding the Group's reportable segments provided to the Group's most senior management (i.e. the executive directors) is set out below:

2021

	Finance leasing service <i>RMB'000</i>	Trading business <i>RMB'000</i>	Postpartum care service <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue (external customers)	<u>51,237</u>	<u>16,758</u>	<u>51,447</u>	<u>119,442</u>
Reportable segment profit	<u>14,415</u>	<u>228</u>	<u>3,606</u>	18,249
Fair value gain on financial assets at FVTPL				2,365
Other corporate income				232
Other corporate expenses				(6,684)
Finance costs				<u>(7,996)</u>
Profit before income tax				<u>6,166</u>
Reportable segment assets	<u>416,177</u>	<u>7,912</u>	<u>63,363</u>	487,452
Property, plant and equipment				407
Prepayments, deposits and other receivables				730
Deferred tax assets				5,438
Bank balances and cash				2,762
Financial assets at FVTPL				35,322
Right-of-use assets				<u>638</u>
Group assets				<u>532,749</u>

	Finance leasing service RMB'000	Trading business RMB'000	Postpartum care service RMB'000	Total RMB'000
Reportable segment liabilities	<u>170,032</u>	<u>71</u>	<u>49,545</u>	219,648
Other payables and accrued charges				3,181
Provision for taxation				1,896
Lease liabilities				664
Deferred tax liabilities				<u>3,038</u>
Group liabilities				<u>228,427</u>
Impairment losses of receivables (net)	(4,800)	–	–	(4,800)
Interest income	50	7	155	212
Interest expenses	(6,290)	–	(1,662)	(7,952)
Depreciation of property, plant and equipment	(3,455)	–	(1,466)	(4,921)
Depreciation of right-of-use assets	<u>(1,952)</u>	<u>–</u>	<u>(8,602)</u>	<u>(10,554)</u>

2020

	Finance leasing service <i>RMB'000</i>	Postpartum care service <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue (external customers)	<u>56,322</u>	<u>2,190</u>	<u>58,512</u>
Reportable segment profit/(loss)	<u>34,285</u>	<u>(227)</u>	34,058
Other corporate income			1,602
Other corporate expenses			(12,209)
Finance costs			<u>(8,296)</u>
Profit before income tax			<u>15,155</u>
Reportable segment assets	<u>373,537</u>	<u>9,800</u>	383,337
Property, plant and equipment			2,043
Prepayments and other receivables			429
Deferred tax assets			5,070
Bank balances and cash			39,519
Prepayments in acquisition of subsidiaries			7,200
Refundable rental deposit			510
Right-of-use assets			<u>1,503</u>
Group assets			<u>439,611</u>

	Finance leasing service <i>RMB'000</i>	Postpartum care service <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment liabilities	<u>86,931</u>	<u>2,363</u>	89,294
Other payables and accrued charges			5,398
Lease liabilities			1,443
Provision for taxation			6,018
Bank borrowings			33,000
Deferred tax liabilities			<u>1,146</u>
Group liabilities			<u>136,299</u>
Capital expenditure	13,146	294	13,440
Impairment losses of receivables	(3,500)	–	(3,500)
Interest income	29	2	31
Interest expenses	(6,945)	–	(6,945)
Depreciation of property, plant and equipment	(1,143)	(8)	(1,151)
Depreciation of right-of-use assets	<u>(2,344)</u>	<u>–</u>	<u>(2,344)</u>

For the years ended 31 December 2021 and 2020, the Company is an investment holding company and the principal place of the Group's operation is in the PRC. All the Group's revenue and major non-current assets are attributable to and located in the PRC.

None of the customers contributed over 10% of the total revenue of the Group of the corresponding years.

5. OTHER GAINS AND LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Fair value gain on financial assets at FVTPL	2,365	1,994
Government subsidies	2,142	2,078
Exchange gain/(loss), net	207	(358)
Covid-19-related rent concession	–	726
Others	36	27
	<u>4,750</u>	<u>4,467</u>

6. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Imputed interests on interest-free deposits from finance lease customers	381	2,878
Interests on bank borrowings	6,374	4,521
Interests on lease liabilities	1,241	897
	<u>7,996</u>	<u>8,296</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment losses recognised on:		
– Finance lease receivables	4,862	3,567
– Loan receivables	(62)	(67)
	<u>4,800</u>	<u>3,500</u>

8. PROFIT BEFORE INCOME TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Directors' emoluments	2,050	1,780
Other staff costs:		
– Salaries, allowances and other staff benefits	30,406	13,990
– Staffs' retirement benefit scheme contributions	4,436	66
	<u>36,892</u>	<u>15,836</u>
Total staff costs		
	<u>36,892</u>	<u>15,836</u>
Less: staff costs recognised as research and development costs in other operating expenses	(2,228)	(1,200)
	<u>(2,228)</u>	<u>(1,200)</u>
Staff costs recognised in profit or loss	<u>34,664</u>	<u>14,636</u>
Amortisation of intangible assets	1,020	85
Auditor's remuneration	1,079	1,449
Cost of inventories sold	16,348	–
Depreciation of property, plant and equipment	5,416	1,531
Depreciation of right-of-use assets	11,900	4,110
Property, plant and equipment written off	–	1
Gain on disposal of property, plant and equipment	(25)	–
Research and development costs recognised as an expenses (included in other operating expenses)	2,431	1,593
Short-term lease payments	5,756	894
	<u>5,756</u>	<u>894</u>

9. INCOME TAX (CREDIT)/EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	324	3,401
Deferred tax	(601)	(1,131)
	<u>(277)</u>	<u>(1,131)</u>
	<u>(277)</u>	<u>(1,131)</u>

10. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend paid in respect of prior year of HK2.5 cents (2020: HK3 cents) per share	<u>8,333</u>	<u>10,884</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK2.5 cents (2020: HK2.5 cents) per ordinary share has been proposed by the board of directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB5,488,000 (2020: RMB12,981,000) and on the weighted average number of ordinary shares in issue during the year of 400,000,000 (2020: 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. INTANGIBLE ASSETS

	Goodwill	Trademark	Computer software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost				
At 1 January 2020	–	–	–	–
Acquisition of a subsidiary	2,318	1,900	–	4,218
Addition	–	–	5,099	5,099
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	2,318	1,900	5,099	9,317
Acquisition of subsidiaries	13,433	8,500	–	21,933
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	<u>15,751</u>	<u>10,400</u>	<u>5,099</u>	<u>31,250</u>
Accumulated amortisation				
At 1 January 2020	–	–	–	–
Amortisation	–	–	85	85
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	–	–	85	85
Amortisation	–	–	1,020	1,020
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	<u>–</u>	<u>–</u>	<u>1,105</u>	<u>1,105</u>
Net carrying amount				
At 31 December 2021	<u>15,751</u>	<u>10,400</u>	<u>3,994</u>	<u>30,145</u>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	<u>2,318</u>	<u>1,900</u>	<u>5,014</u>	<u>9,232</u>
	<hr/>	<hr/>	<hr/>	<hr/>

13. FINANCE LEASE RECEIVABLES/LOAN RECEIVABLES

Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease receivables comprise:				
Within one year	248,684	256,374	222,717	221,404
In the second year	62,328	83,200	56,775	74,670
In the third year	8,867	12,715	8,105	12,125
	319,879	352,289	287,597	308,199
<i>Less: Unearned finance income</i>	(32,282)	(44,090)	–	–
Present value of minimum lease payments	287,597	308,199	287,597	308,199
<i>Less: lifetime ECL allowance</i>	(21,193)	(16,331)	(21,193)	(16,331)
	266,404	291,868	266,404	291,868
Represented by:				
Current assets			206,903	207,488
Non-current assets			59,501	84,380
			266,404	291,868

Loan receivables

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Fixed-rate loan receivables:		
Within one year	829	6,999
One to two years	170	798
More than two years but not more than five years	<u>–</u>	<u>71</u>
	999	7,868
Less: 12 months ECL allowance	<u>(7)</u>	<u>(69)</u>
	<u>992</u>	<u>7,799</u>
Represented by:		
Current assets	823	6,935
Non-current assets	<u>169</u>	<u>864</u>
	<u>992</u>	<u>7,799</u>

14. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	<u>501</u>	<u>–</u>

15. RESTRICTED BANK DEPOSITS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Guaranteed deposits	15,000	–
Bank deposits with restrictions on use	<u>91,023</u>	<u>–</u>
	<u>106,023</u>	<u>–</u>

16. BANK AND OTHER BORROWINGS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank borrowings due for repayment within one year		
– Unsecured and guaranteed	38,784	69,650
– Secured and guaranteed	<u>30,000</u>	<u>30,080</u>
	68,784	99,730
Bank borrowings due for repayment more than one year		
– Unsecured and guaranteed	4,722	–
– Secured and guaranteed	<u>27,600</u>	<u>–</u>
	<u>32,322</u>	<u>–</u>
Total bank borrowings	<u>101,106</u>	<u>99,730</u>
Other borrowings from a finance lease company		
– Due for repayment within one year	48,712	–
– Due for repayment more than one year	<u>41,387</u>	<u>–</u>
	<u>90,099</u>	<u>–</u>
Total bank and other borrowings	<u><u>191,205</u></u>	<u><u>99,730</u></u>

17. EFFECT OF COVID-19

The World Health Organisation declared coronavirus and Covid-19 a global health emergency on 30 January 2020. The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue due to decrease in customers' demand caused by temporary suspension of operation of the customers in certain areas in the PRC, increase in ECL provision due to worsening creditworthiness of certain customers and rent concessions from a lessor.

The directors of the Company are continuing to assess the implications of Covid-19 pandemic to the business in which the Group operates. Depending on the duration of the Covid-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2022. However, the exact impact in the remainder of 2022 and thereafter cannot be predicted.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2021, 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.

Finance leasing services

For the year ended 31 December 2021, the Group has been focusing on provision of finance leasing services to SMEs customers in the medical equipment industry in various provinces, municipalities, and autonomous regions in the PRC, where the Group has established connections with industry players and gained operational expertise. The finance lease offered by the Group comprises direct finance leasing and sale-leaseback. The Group provided services to approximately 3,100 SMEs customers across 30 provinces, municipalities and autonomous regions in the PRC as at 31 December 2021. The Group derived a revenue of RMB51.2 million from the finance leasing services year ended 31 December 2021.

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.

On 27 November 2020, the Group entered into the equity transfer agreement with independent third parties to purchase the entire equity interest in Guangzhou Sheng Cheng Dunnan Enterprise Management Co., Limited (“**Dunnan**”), a limited liability company incorporated in the PRC, with the consideration of RMB31 million. Dunnan and its subsidiaries are engaged in the provision of postpartum care services in the PRC. The equity was transferred in February 2021.

On 4 December 2020, the Group entered into the equity transfer agreement with independent third parties to purchase 54% of equity share of Wuhan Jiaenbei Health Management Co. Ltd. (“**Jiaenbei**”), a limited liability company incorporated in the PRC with consideration of RMB3.24 million. Jiaenbei is engaged in provision of postpartum care service in the PRC. The equity was transferred in January 2021.

As at 31 December 2021, the Group has 6 postpartum care centres in the PRC, which provide postpartum care services, consisting of four major areas of (i) health care for postpartum mothers and newborn babies; (ii) dietary and nutrition for postpartum mothers; (iii) recovery and beauty for postpartum mothers; and (iv) intellectual development for newborn babies. The Group derived a revenue of RMB51.4 million from the maternal and child postpartum care industry services for the year ended 31 December 2021.

Trading of medical equipments and consumables business

During the year, the Group having started the operation of trading of medical equipments and consumables. The Group derived a revenue of RMB16.8 million from trading of medical equipments and consumables business for the year ended 31 December 2021.

OUTLOOK

2021 was a year of making significant breakthroughs of business of the Group, in which the Group also has gained the support and recognition from all walks of life. Since its establishment, the Group is committed to the enterprise spirit of “excellence, innovation, integrity and win-win” and keeps on a steady track of development, based on the finance leasing services whose operating business has spread all over the country. Under the professional team operation and modernization management philosophy, the Group continuously upgrades its industrial structure and integrates resources in order to realize the operating goals of the win-win of economic and social benefit.

The Group is still reasonably optimistic to sustain the core business given all the economic uncertainties with the outbreak of Covid-19. The Group will continue to seek for the best possible opportunities to grow the Group’s business by leveraging current client base. After the pandemic, the healthcare industry will be a new economic breakthrough with significant value-added potentials. The Group initiated pre-emptive deployment of finance leasing service and medical equipment fields that focus on oral cavity and maternity and child industry. Meanwhile, the Group developed trading of medical equipments and consumables business, which cooperates with the maternal and child postpartum care industry, in order to capture pioneer opportunities and support the industrial upgrade of the healthcare industry, diversifying the income of the Group. The Group’s revenue also doubled compared to 2020, achieving a breakthrough of over RMB100 million in revenue for the first time.

In response to the impact of the Covid-19 pandemic on the increase in the past due ratio of customers, the Group’s financial leasing services began to adjust the target industry from the printing and logistics industries in the past to the medical equipment industry in 2020, with the effort of focusing on risk management, lowering the internal rate of return to improve asset quality and reducing risks as possible so as to protect shareholders’ interests. During the year, China Development Bank Financial Leasing Co., Ltd. (1606.HK) agreed to grant a revolving credit facility to the Group up to RMB200 million for the Group’s operation of finance lease business, which will jointly promote the optimized development of dental medical industry services, provide customized smart medical solutions and services for customers in the dental industry, and empower the development and construction of dental medical industry.

The trading of medical equipments and consumables business focuses on boosting the development of the medical equipment industry. The Group integrates supply chain resources through Shenzhen Ruiheng Medical Supply Chain Co., Ltd., opens up the upstream and downstream of the supply chain, and provides intelligent supply chain services of centralized procurement, Internet plus medical and trade installments, so as to provide one-stop solutions for customers all over the country. During the year, China Construction Bank Corporation (0939.HK) provided the Group with a total strategic credit of RMB500 million to support the trading business of medical devices, equipment and consumables. Through the cooperation with the Group's platform system, it realized batch, standardized and modular business processes, through functions such as instant approval and online signing, and effectively provided convenient, efficient and precise financial assistance.

In May 2021, China announced the implementation of the three-child policy, so as to promote the link between the fertility policy and related economic and social policies, and to improve the population impact assessment mechanism for major economic and social policies. The implementation of the three-child policy is expected to further stimulate the fertility rate. According to public research reports on market demand and investment plans for the maternal and child postpartum care industry, the market size of China's maternal and child postpartum care centres has been increasing since 2010 and is expected to reach to approximately RMB32 billion in 2025, indicating a positive outlook for the industry, so that the Group is expected to benefit from the optimistic outlook of the maternal and child postpartum care centre. There is a rigid demand for maternal and child health-related services, and the overall market will continue to grow rapidly. Through Shenzhen Meijiaer Health Management Co., Ltd., the Group focuses on the development of maternal and child postpartum care industry services in South China and Central China. Through the acquisition and opening of maternal and child postpartum care centers, the Group currently owns three brands of maternal and child postpartum care centre, namely "Dunna True Love", "Merry" and "NEW BABY". The number of directly-operated stores has increased to 6, and there are many "Dunna True Love" franchise stores located in different regions of the country.

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

FINANCIAL REVIEW

Revenue

Revenue consists of (i) finance leasing income and interest income from loan receivables in finance leasing services; (ii) postpartum care services income; and (iii) income from trading of medical equipments and consumables. For the year ended 31 December 2021, the Group's revenue increased by approximately RMB60.9 million or approximately 104.1% to approximately RMB119.4 million (2020: RMB58.5 million). The increase in revenue for the year ended 31 December 2021 was mainly attributable to the (i) postpartum care services income increased from approximately RMB2.2 million for the year ended 31 December 2020 to approximately RMB51.4 million for the year ended 31 December 2021; and (ii) new income from trading of medical equipments and consumables of RMB16.8 million, which offsetting the finance leasing income decreased from approximately RMB56.3 million for the year ended 31 December 2020 to approximately RMB51.2 million for the year ended 31 December 2021.

Cost of sales

Cost of sales represents the cost of medical equipments and consumables sold during 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 increased from RMB14.6 million for the year ended 31 December 2020 to approximately RMB34.7 million for the year ended 31 December 2021. The increase was mainly attributable to (i) the increase in head count and staff salaries for existing staff; (ii) the staff costs incurred by postpartum care services business increased from approximately RMB0.6 million for the year ended 31 December 2020 to approximately RMB15.1 million for the year ended 31 December 2021; and (iii) the PRC government had granted a deduction for the Group's contribution of social insurance funds for the year ended 31 December 2020 and there was no such deduction for the year ended 31 December 2021.

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 finance lease receivables and loan receivables. In determining the impairment of finance lease receivables and loan receivables, 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 ended 31 December 2021, an additional impairment loss of approximately RMB4.8 million (2020: RMB3.5 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 travelling expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets, short-term leases payments and the operating expenses incurred by maternal and child postpartum care business.

Other operating expenses increased from approximately RMB21.4 million for the year ended 31 December 2020 to approximately RMB54.4 million for the the year ended 31 December 2021. Thereinto, the other operating expenses for the postpartum care business increased from approximately RMB1.8 million for the year ended 31 December 2020 to approximately RMB32.9 million for the year ended 31 December 2021, and the related increase was mainly induced by the newly-setup centres for the provision of postpartum care services at the end of 2020 and the beginning of 2021. The other operating expenses for the postpartum care business for the year ended 31 December 2021 mainly included: (i) the miscellaneous expenses of postpartum care business of approximately RMB13.1 million (2020: RMB0.8 million); (ii) depreciation of right-of-use assets of approximately RMB8.6 million (2020: Nil); (iii) short-term leases payments of approximately RMB4.5 million (2020: RMB0.7 million); (iv) office expenses, water, electricity and property management fees of approximately RMB2.9 million (2020: RMB0.1 million); and (vi) sales and marketing expenses of approximately RMB1.8 million (2020: RMB0.1 million).

The other operating expenses for finance lease business increased from approximately RMB19.7 million for the year ended 31 December 2020 to approximately RMB21.5 million for the year ended 31 December 2021. The increase was mainly attributed to (i) the increase in depreciation of property, plant and equipment, resulting from hiring a new head office in Shenzhen, the PRC in the second half year of 2020 in order to develop the new business and accommodate the increase in number of staff, which increased from approximately RMB1.9 million for the the year ended 31 December 2020 to approximately RMB4.0 million for the the year ended 31 December 2021; and (ii) the acceptance of business system at the end of 2020, the amortisation of intangible assets was approximately RMB1.0 million for the year ended 31 December 2021 (2020: RMB0.1 million).

Finance costs

Finance costs consist of (i) imputed interest expense on interest-free deposits from finance lease customers; (ii) interest on bank borrowing; and (iii) interests on lease liabilities. Finance costs decreased from approximately RMB8.3 million for the year ended 31 December 2020 to approximately RMB8.0 million for the year ended 31 December 2021. The decrease was mainly due to imputed interest expense on interest-free deposits from finance lease customers decreased from approximately RMB2.9 million for the year ended 31 December 2020 to approximately RMB0.4 million for the year ended 31 December 2021 as a result in the reduction in the amount of deposits from finance lease customers, which offsetting (i) the interest on bank borrowing increased from approximately RMB4.5 million for the year ended 31 December 2020 to approximately RMB6.4 million for the year ended 31 December 2021; and (ii) the interests on lease liabilities increased from approximately RMB0.9 million for the year ended 31 December 2020 to approximately RMB1.2 million for the year ended 31 December 2021.

Taxation

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

For the years ended 31 December 2021 and 2020, the Group's profit and total comprehensive income attributable to owners of the Company were approximately RMB5.5 million and RMB13.0 million, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company in the current year was mainly attributable to (i) the increase in staff costs and other operating costs; and (ii) the increase in impairment losses under ECL model, net of reversal which offsetting the increase in revenue and other gains and losses as compared to the corresponding period in 2020.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2021, bank balances and cash were approximately RMB33.5 million (2020: RMB84.8 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB262.3 million (2020: RMB179.9 million) and approximately RMB304.3 million (2020: RMB303.3 million), respectively.

As at 31 December 2021, the Group's bank and other borrowings were amounted to approximately RMB191.2 million (2020: RMB99.7 million).

As at 31 December 2021, the gearing ratio was approximately 38.6% (2020: 24.7%), which is calculated as bank and other borrowings divided by total equity plus bank and other borrowings. Such increase was mainly due to an increase in bank and other borrowings for business expansion.

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 2021, 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 ended 31 December 2021 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 2021 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 ended 31 December 2021.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no capital commitments in respect of the acquisition of subsidiaries (2020: RMB27.0 million).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, the Group's finance lease receivables and loan receivables with an aggregate carrying values of approximately RMB93.8 million (2020: RMB25.1 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 2021, the entire equity interests of a subsidiary of the Group were pledged to a bank in the PRC to secure a bank borrowing of the Group (2020: Nil).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 27 November 2020, the Group entered into the equity transfer agreement with independent third parties to purchase the entire equity interest in Guangzhou Sheng Cheng Dunnan Enterprise Management Co., Limited (“**Dunnan**”), a limited liability company incorporated in the PRC, with the consideration of RMB31 million. Dunnan and its subsidiaries are engaged in the provision of postpartum care services in the PRC. The equity was transferred in February 2021. Details of the acquisition are set out in the Company’s announcement and circular dated 27 November 2020 and 23 December 2020 respectively.

On 4 December 2020, the Group entered into the equity transfer agreement with independent third parties to purchase 54% of equity share of Wuhan Jiaenbei Health Management Co. Ltd. (“**Jiaenbei**”), a limited liability company incorporated in the PRC with consideration of RMB3.24 million. Jiaenbei is engaged in provision of postpartum care service in the PRC. The equity was transferred in January 2021.

As at 31 December 2021, the Group had investments in bond investment trusts of RMB35.3 million measured at fair value through profit or loss in the PRC (2020: Nil).

Save as the above, the Group did not have other significant investment, material acquisition nor disposal of subsidiaries and affiliated companies during the year ended 31 December 2021.

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.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group provided guarantees to some of its customers’ lenders in relation to these customers’ bank loans amounting to approximately RMB4.6 million (2020: Nil).

HUMAN RESOURCES

As at 31 December 2021, the Group had 241 employees (2020: 102 employees) with total staff cost of approximately RMB36.9 million incurred for the year ended 31 December 2021 (2020: RMB15.8 million). The employees retirement benefit expense incurred during the year ended 31 December 2021 was approximately RMB4.4 million (2020: RMB0.1 million). As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local government. The Group’s remuneration policy rewards employees and Directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group’s performance. The Group did not experience any material labour disputes during the year ended 31 December 2021.

COMPETING INTEREST

During the year ended 31 December 2021, 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, 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 A.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.

Code Deviation

In accordance with the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board is of the view that although Mr. Zhang 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 A.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

Save as disclosed in notes 10 and 17 to this announcement, the Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2021 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.

During the board meeting held on 31 March 2022, the Board recommended the payment of a final dividend of HK2.5 cents per share, in form of a cash dividend, to the Shareholders. The proposed final dividend for 2021 is expected to be paid to the shareholders on or before 7 July 2022.

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, 27 May 2022 (the “**2022 AGM**”), the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 27 May 2022 will be entitled to attend and vote at the 2022 AGM. In order to qualify for attending and voting at the 2022 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 23 May 2022.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

For the purpose of determining Shareholders’ entitlement to the final dividend, the register of members of the Company will be closed from Monday, 6 June 2022 to Tuesday, 7 June 2022, during which period no transfer of shares will be registered. The record date for determination of entitlement to the final dividend shall be Tuesday, 7 June 2022. Shareholders whose names appear on the register of members of the Company on Tuesday, 7 June 2022 will be entitled to the final dividend. To qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on Thursday, 2 June 2022.

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 ended 31 December 2021. 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 ended 31 December 2021 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 ended 31 December 2021 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, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Junshen (Chairman and Chief Executive Officer) and Mr. Zhang Yong, the non-executive Director is Mr. Lyu Di, and the independent nonexecutive Directors are Mr. Chan Chi Fung Leo, Mr. Chow Siu Hang and Dr. Deng Bin.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and this announcement will also be published on the website of the Company at www.ziyygroup.com.