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 2022

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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 2022 (the "**Year**"), together with the comparative figures for the corresponding periods in 2021 (the "**Prior Year**"), as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue			
Finance leasing income		**35,699**	50,575
Interest income from loan receivables		**1,551**	662
Income from postpartum care services		**50,809**	51,447
Income from trading of medical equipment and consumables		**236,539**	16,758
Total revenue	*3*	**324,598**	119,442
Cost of sales		**(185,610)**	(16,348)
Bank interest income		**102**	212
Other gains and losses, net	*5*	**3,538**	4,750
Staff costs	*8*	**(41,997)**	(34,664)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*7*	**(9,183)**	(4,800)
Other operating expenses		**(55,370)**	(54,430)
Finance costs	*6*	**(13,141)**	(7,996)
Profit before income tax	*8*	**22,937**	6,166
Income tax (expenses)/credit	*9*	**(7,511)**	277
Profit and total comprehensive income for the year		**15,426**	6,443
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**15,813**	5,488
Non-controlling interests		**(387)**	955
		15,426	6,443
Earnings per share for profit attributable to owners of the Company during the year			
—Basic and diluted *(RMB cents)*	*11*	**3.95**	1.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,786**	12,545
Investment properties		**25,000**	–
Right-of-use assets		**16,196**	11,760
Intangible assets		**34,664**	30,145
Finance lease receivables	*12*	**44,346**	59,501
Loan receivables	*12*	**–**	169
Refundable deposit		**26,500**	–
Deferred tax assets		**7,737**	5,438
Deposits		**8,591**	6,121
		172,820	125,679
CURRENT ASSETS			
Inventories		**11,979**	884
Finance lease receivables	*12*	**132,969**	206,903
Loan receivables	*12*	**96**	823
Trade receivables	*13*	**132,435**	501
Prepayments, deposits and other receivables		**75,046**	23,122
Other financial assets		**847**	35,322
Restricted bank deposits		**62,378**	106,023
Bank balances and cash		**13,707**	33,492
		429,457	407,070
CURRENT LIABILITIES			
Other payables and accrued charges		**33,348**	18,984
Provision for taxation		**6,664**	1,896
Lease liabilities		**6,757**	6,201
Deposits from finance lease customers		**33**	147
Deferred income		**–**	16
Financial guarantee		**1,105**	–
Bank and other borrowings	*14*	**147,861**	117,496
		195,768	144,740
NET CURRENT ASSETS		**233,689**	262,330
TOTAL ASSETS LESS CURRENT LIABILITIES		**406,509**	388,009

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,041**	3,038
Lease liabilities		**10,670**	6,940
Bank and other borrowings	*14*	**80,981**	73,709
		95,692	83,687
NET ASSETS		**310,817**	304,322
EQUITY			
Share capital		**33,839**	33,839
Reserves		**273,022**	265,684
Equity attributable to owners of the Company		**306,861**	299,523
Non-controlling interests		**3,956**	4,799
TOTAL EQUITY		**310,817**	304,322

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 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 37, Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41, Annual Improvements to HKFRS Standards 2018-2020
- Amendment to HKFRS 3, Reference to Conceptual Framework
- Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

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:

	2022	2021
	RMB'000	*RMB'000*
Revenue from other source		
Finance leasing income	**35,699**	50,575
Interest income from loan receivables	**1,551**	662
	37,250	51,237
Revenue from contracts with customers		
Income from postpartum care services	**50,809**	51,447
Income from trading of medical equipment and consumables	**236,539**	16,758
	287,348	68,205
	324,598	119,442

4. SEGMENT INFORMATION

For the years ended, and as at, 31 December 2022, 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:

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**

2021

	Finance leasing service *RMB'000*	Trading business *RMB'000*	Postpartum care service *RMB'000*	Total *RMB'000*
Reportable segment revenue (external customers)	51,237	16,758	51,447	119,442
Reportable segment profit	14,415	228	3,606	18,249
Fair value gain on other financial assets				2,365
Other corporate income				232
Other corporate expenses				(6,684)
Finance costs				(7,996)
Profit before income tax				6,166
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	(1,952)	–	(8,602)	(10,554)

	Finance leasing service RMB'000	Trading business RMB'000	Postpartum care service RMB'000	Total RMB'000
Reportable segment assets	416,177	7,912	63,363	487,452
Property, plant and equipment				407
Prepayments, deposits and other receivables				730
Deferred tax assets				5,438
Bank balances and cash				2,762
Other financial assets				35,322
Right-of-use assets				638
Group assets				532,749
Reportable segment liabilities	170,032	71	49,545	219,648
Other payables and accrued charges				3,181
Provision for taxation				1,896
Lease liabilities				664
Deferred tax liabilities				3,038
Group liabilities				228,427

5. OTHER GAINS AND LOSSES, NET

	2022	2021
	RMB'000	*RMB'000*
Fair value gain on other financial assets	**2,150**	2,365
Change in fair value of investment properties	**29**	–
Government subsidies	**756**	2,142
Exchange gain, net	**353**	207
Gain from right to sell	**847**	–
Impairment loss on goodwill	**(656)**	–
Others	**59**	36
	3,538	4,750

6. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Imputed interest on interest-free deposits from finance lease customers	**55**	381
Interest on bank and other borrowings	**12,345**	6,374
Interest on lease liabilities	**741**	1,241
Total interest expense on financial liabilities not measured at fair value through profit or loss.	**13,141**	7,996

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2022	2021
	RMB'000	*RMB'000*
Impairment losses recognised on:		
– Trade receivable	**5,520**	–
– Finance lease receivables	**2,564**	4,862
– Loan receivables	**(6)**	(62)
– Financial guarantee	**1,105**	–
	9,183	4,800

8. PROFIT BEFORE INCOME TAX

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

	2022	2021
	RMB'000	*RMB'000*
Directors' emoluments	**3,200**	2,050
Other staff costs:		
– Salaries, allowances and other staff benefits	**36,639**	30,406
– Staffs' retirement benefit scheme contributions	**5,974**	4,436
Total staff costs	**45,813**	36,892
Less: staff costs recognised as research and development costs in other operating expenses	**(3,816)**	(2,228)
Staff costs recognised in profit or loss	**41,997**	34,664
Amortisation of intangible assets	**1,125**	1,020
Auditor's remuneration	**1,164**	1,079
Cost of inventories sold	**185,610**	16,348
Depreciation of property, plant and equipment	**4,216**	5,416
Depreciation of right-of-use assets	**9,222**	11,900
Property, plant and equipment written off	**164**	–
Gain on disposal of property, plant and equipment	**–**	(25)
Research and development costs recognised as an expense (included in other operating expenses)	**4,080**	2,431
Short-term lease expense	**5,486**	5,756

9. INCOME TAX EXPENSES/(CREDIT)

	2022	2021
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	**8,807**	324
Deferred tax	**(1,296)**	(601)
	7,511	(277)

10. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Final dividend paid in respect of prior year of HK2.5 cents (2021: HK2.5 cents) per share	**8,475**	8,333

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK2.5 cents (2021: 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 RMB15,813,000 (2021: RMB5,488,000) and on the weighted average number of ordinary shares in issue during the year of 400,000,000 (2021: 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**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivables comprises:				
Within one year	**171,397**	248,684	**155,206**	222,717
In the second year	**41,287**	62,328	**39,862**	56,775
In the third year	**6,290**	8,867	**6,004**	8,105
	218,974	319,879	**201,072**	287,597
Less: Unearned finance income	**(17,902)**	(32,282)	**–**	–
Present value of minimum lease payments	**201,072**	287,597	**201,072**	287,597
Less: lifetime ECL allowance	**(23,757)**	(21,193)	**(23,757)**	(21,193)
	177,315	266,404	**177,315**	266,404
Represented by:				
Current assets			**132,969**	206,903
Non-current assets			**44,346**	59,501
			177,315	266,404

Loan receivables

	2022	2021
	RMB'000	*RMB'000*
Fixed-rate loan receivables:		
Within one year	**97**	829
One to two years	**–**	170
	97	999
Less: 12 months ECL allowance	**(1)**	(7)
	96	992
Represented by:		
Current assets	**96**	823
Non-current assets	**–**	169
	96	992

13. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**137,955**	501
Less: Provision for impairment loss	**(5,520)**	–
	132,435	501

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

	2022	2021
	RMB'000	*RMB'000*
1–30 days	**95,482**	501
31–60 days	**6,435**	–
61–90 days	**4,065**	–
91–180 days	**22,135**	–
181–365 days	**4,318**	–
	132,435	501

14. BANK AND OTHER BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Bank borrowings due for repayment within one year		
– Unsecured and guaranteed	**12,734**	38,784
– Secured and guaranteed	**30,000**	30,000
– Unsecured and unguaranteed	**10,000**	–
	52,734	68,784
Bank borrowings due for repayment more than one year		
– Unsecured and guaranteed	**1,389**	4,722
– Secured and guaranteed	**27,600**	27,600
	28,989	32,322
Total bank borrowings	**81,723**	101,106
Other borrowings from a finance lease company		
– Due for repayment within one year	**95,127**	48,712
– Due for repayment more than one year	**51,992**	41,387
	147,119	90,099
Total bank and other borrowings	**228,842**	191,205

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 4,300 SMEs customers across 30 provinces, municipalities and autonomous regions in the PRC as at 31 December 2022. The Group derived a revenue of RMB37.3 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, centres for the provision of postpartum care services（月子中心）had emerged. The Group provides postpartum care services in the PRC, consisting of four major areas of (i) health care for postpartum mothers and newborn babies; (ii) dietary and nutrition for postpartum mothers; (iii) recovery and beauty for postpartum mothers; and (iv) intellectual development for newborn babies.

Due to the restriction of the epidemic control measures, the Group's postpartum care centers were not able to operate normally during part of the year, which made customers unable to check in on time and orders were returned, resulting in a decline in revenue and a segmental loss of RMB1.7 million in the maternal and child postpartum care industry services. The Group recorded a revenue of RMB50.8 million from the maternal and child postpartum care industry services during the Year.

<u>Profit guarantees in relation to the acquisitions of subsidiaries</u>

On 22 July 2020, the Group entered into an investment agreement and a shareholders' agreement (the "**Desheng Meimei Agreements**") with a 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 are 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 are 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 of Desheng Meimei 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 ending 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 decided to exercise the option to request the vendor to repurchase the 51% equity interest in Desheng Meimei from the Group. The Group anticipated the repurchase will be taken place in the second half of 2023.

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 share 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 are 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 are set out in Note 32(a) to the consolidated financial statements 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 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 ending 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 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 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 million for each of the year ending 31 December 2023 and year ending 31 December 2024 respectively.

Impairment of goodwill

The Group performed a year end annual impairment test on goodwill. Taking into consideration of the Desheng Meimei did not meet the Desheng Meimei Profit Guarantee for the Year, and the unfavourable market condition facing by Desheng Meimei, the Group determined that there was an indication for impairment on the goodwill arising from the acquisition of the Desheng Meimei. An impairment loss on goodwill amounted to approximately RMB0.7 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 in 2012, mainly focusing on aesthetic medicine, dental, maternal and child and large hospital medical equipment. During the year, the Group was awarded as sole agent, special agent or strategic distribution partner by a number of medical equipment suppliers, and with the support of the Group's previous customers and partners in the finance leasing business, the medical equipment and consumables trading business achieved revenue of RMB236.5 million in the first full financial year, bringing a breakthrough growth to the Group's revenue structure.

OUTLOOK

The year 2002 was a year in which the Group's management front was able to tackle the challenges and make every effort to cope with the recurrent outbreaks of Covid-19. 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. In 2021, 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, to help upgrade the healthcare industry, but also to diversify the Group's income point. The Group's revenue also doubled from 2021 to more than RMB300 million.

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 to focus on risk management, lowering the internal rate of return to improve asset quality and reducing risks as possible so as to protect shareholders' interests. The trading of medical equipment 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. In recent years, China has adopted various policies to support and encourage the innovation of medical equipment in the field of medical and health care, and is committed to promoting the construction of a health care system. In 2021, the National Medical Products Administration issued the "Opinions on Further Promoting the High-Quality Development of Medical Equipment Standardization", proposing that by 2025, the whole life cycle of medical equipment research and development, production and operation, use and supervision and management in China will be basically completed. It is proposed that by 2025, a medical equipment standard system with Chinese characteristics, scientific and advanced, in line with international standards, will be basically built to meet the needs of the whole life cycle of medical equipment development, production, operation, use and supervision and management, meet the new requirements of strictly adhering to the bottom line of safety and promoting the high line of quality, and achieve an overall improvement in the quality of standards, a more high-quality, timely and diversified supply of standards, and a more sound, efficient and coordinated management of standards. With the support of policies, high-end medical equipment are expected to enter a period of rapid growth and expansion in the Chinese market. With the continuous improvement of people's health awareness and the deepening of China's medical reform, the demand for medical equipment will continue to grow and the market scale will expand.

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 "three-child 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, build a mother and baby ecosystem with full industry chain coverage, and provide city-limited one-stop multi-dimensional maternal and child health service solutions.

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 equipment and consumables. The Group's revenue increased by approximately RMB205.2 million or approximately 171.8%, from approximately RMB119.4 million for the Prior Year to approximately RMB324.6 million for the Year. The increase in revenue for the Year was mainly attributable to income from trading of medical equipment and consumables increased from approximately RMB16.8 million for the Prior Year to approximately RMB236.5 million for the Year, which offsetting (i) the finance leasing income decreased from approximately RMB51.2 million for the Prior Year to approximately RMB37.3 million for the Year; and (ii) postpartum care services income decreased from approximately RMB51.4 million for the Prior Year to approximately RMB50.8 million for the Year.

Cost of sales

For the Year, the cost of medical equipment and consumables sold increased to approximately RMB185.6 million (2021: approximately RMB16.3 million).

Staff cost

Staff costs include primarily Directors' remuneration, employee salaries, allowances and other staff benefits as well as employee retirement benefits scheme contributions. Staff costs increased from RMB34.7 million for the Prior Year to approximately RMB42.0 million For the Year. The increase was mainly attributable to the increase in head count and staff salaries for existing staff.

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 RMB9.2 million (2021: RMB4.8 million) was recognised due to the impact of Covid-19, which caused the increase in the customers' past due ratio.

Other operating expenses

Other operating expenses include primarily audit fees, legal and professional fees, office supplies, depreciation of property, plant and equipment, depreciation of right-of-use assets, short-term leases payments research and development costs, and the miscellaneous expenses of postpartum care businesss. Other operating expenses increased from approximately RMB54.4 million for the Prior Year to approximately RMB55.4 million for the Year. The increase attributable to (i) the miscellaneous expenses of postpartum care businesss increased from approximately RMB13.1 million for the Prior Year to approximately RMB14.8 million for the Year; and (ii) research and development costs of trading business system recognised as expenses increased from approximately RMB2.4 million for the Prior Year to approximately RMB4.1 million for the Year, which offsetting (i) depreciation of right-of-use assets decreased from approximately RMB11.9 million for the Prior Year to approximately RMB9.2 million for the Year; and (ii) depreciation of property, plant and equipment decreased from approximately RMB5.4 million for the Prior Year to approximately RMB4.2 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; and (iii) interests on lease liabilities. Finance costs increased from approximately RMB8.0 million for the Prior Year to approximately RMB13.1 million for the Year. The increase was mainly due to the interest on bank and other borrowing increased from approximately RMB6.4 million Prior Year to approximately RMB12.3 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 RMB15.8 million and RMB5.5 million, respectively. The increase in profit and total comprehensive income attributable to owners of the Company during the Period was mainly attributable to the increase in income from trading of medical equipment and consumables.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2022, bank balances and cash were approximately RMB13.7 million (2021: RMB33.5 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB233.7 million (2021: RMB262.3 million) and approximately RMB310.8 million (2021: RMB304.3 million), respectively.

As at 31 December 2022, the Group's bank and other borrowings due within one year were amounted to approximately RMB147.9 million (2021: RMB117.5 million) and the Group's bank and other borrowings due after one year were amounted to approximately RMB80.9 million (2021: RMB73.7 million).

As at 31 December 2022, the gearing ratio was approximately 42.4% (2021: 38.6%), 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 2022, 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 2022 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 2022, the Group had capital commitments RMB13.5 million in respect of the acquisition of a subsidiary (2021: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, the Group's finance lease receivables and loan receivables with an aggregate carrying values of approximately RMB143.5 million (2021: RMB93.8 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 2022 and 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.

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 million. Meikangmao is engaged in provision of postpartum care service in the PRC. The equity transfer was not completed as at 31 December 2022. Details of the acquisition are set out in the Company's announcements dated 29 December 2022 and 4 January 2023.

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

SIGNIFICANT INVESTMENT

In order to enhance the capital efficiency and to maximize the return from the working capital of the Group, the Group reasonably and strategically utilizes the idle funds of the Group to conduct the subscriptions and disposals of wealth management products for investment purposes. The Directors took into account (i) the high liquidity and flexible investment term of each of the wealth management products in which the Group is able to freely acquire additional or dispose units of the wealth management products to cater the capital needs of the Group's operation; (ii) the risk associated with the wealth management products is low and each of the wealth management products has a relatively high credit rating; (iii) the subscriptions and the subsequent disposals offered a better return than the prevailing fixed-term deposit interests rates generally offered by commercial banks in the PRC; and (iv) the subscriptions and disposals have no material impact on the operations and working capital of the Group.

The significant investments held by the Group which were classified as other financial assets for the Year are as follows:

Name of investment	Fair value as at 31 December 2021	Redemption during the year	Realised gain for the year	Fair value as at 31 December 2022	Percentage to the total assets as at 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Guoyuan Antai No.06003 Bond Investment Trust Fund Plan*	5,085	5,141	56	–	–
Chuangyuan No. 2 Bond Investment Trust Fund Plan*	10,056	10,752	696	–	–
Jingu•Jinniu No.14 Trust Fund Plan*	10,121	10,757	636	–	–
Stable Series E10 Trust Fund Plan*	10,060	10,768	708	–	–
	35,322	37,418	2,096	–	

Save as disclosed above, the Group did not have other significant investment for the Year.

* *For identification purpose only*

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

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

HUMAN RESOURCES

As at 31 December 2022, the Group had 281 employees (2021: 241 employees) with total staff cost of approximately RMB45.8 million incurred during the Year (2021: RMB36.9 million), which included the employees retirement benefit expense incurred during the Year of approximately RMB6.0 million (2021: RMB4.4 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, 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.

CODE DEVIATION

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

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 2022 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 30 March 2023, 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 2022 is expected to be paid to the shareholders on or before 13 July 2023, subject to the approval of the Shareholders at the forthcoming annual general meeting.

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, 2 June 2023 (the "**2023 AGM**"), the register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023, during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 2 June 2023 will be entitled to attend and vote at the 2023 AGM. In order to qualify for attending and voting at the 2023 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, 29 May 2023.

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, 12 June 2023 to Tuesday, 13 June 2023, during which period no transfer of shares will be registered. The record date for determination of entitlement to the final dividend shall be Tuesday, 13 June 2023. Shareholders whose names appear on the register of members of the Company on Tuesday, 13 June 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 9 June 2023.

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, 30 March 2023

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

This announcement will remain on the "Latest Listed Company Information" page on the HKEXnews website at www.hkexnews.hk for at least 7 days from the date of its posting and on the website of the Company at www.ziyygroup.com.