紫元元
ZIYUANYUAN

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

2018
INTERIM REPORT

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Junshen (Chairman
and Chief Executive Officer)
Mr. Liu Zhiyong

Non-executive Directors

Mr. Zhang Junwei
Ms. Shen Qingli

Independent Non-executive Directors

Mr. Chan Chi Fung Leo
Mr. Li Zhensheng
Mr. Chow Siu Hang

COMMITTEES

Audit Committee

Mr. Chan Chi Fung Leo (Chairman)
Ms. Shen Qingli
Mr. Li Zhensheng

Remuneration Committee

Mr. Li Zhensheng (Chairman)
Mr. Zhang Junwei
Mr. Chan Chi Fung Leo

Nomination Committee

Mr. Zhang Junshen (Chairman)
Mr. Chan Chi Fung Leo
Mr. Li Zhensheng

JOINT COMPANY SECRETARY

Ms. Li Xinpei
Mr. Tang Chi Chiu

AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)
Mr. Zhang Junshen
Mr. Tang Chi Chiu

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Sertus Incorporations (Cayman) Limited
Sertus Chambers,
Governors Square,
Suite #5-204, 23 Lime Tree Bay Avenue,
P.O. Box 2547, Grand Cayman, KY1-1104,
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit A-01, 10th Floor, Block A,
China Investment International Commerce Centre,
1061 Xiangmei Road,
Futian District, Shenzhen city,
Guangdong province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite No. 2909,
29th Floor of Office Tower of Skyline Tower,
No. 39 Wang Kwong Road,
Kowloon Bay, Kowloon,
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
35/F One Pacific Place,
88 Queensway, Admiralty,
Hong Kong

PRINCIPAL BANKS

Guangdong Huaxing Bank Co., Ltd.
Shenzhen Branch
Agricultural Bank of China Limited
Shenzhen Central Branch

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350,
Clifton House,
75 Fort Street,
Grand Cayman KY1-1108,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

COMPLIANCE ADVISER

Guoyuan Capital (Hong Kong) Limited
22/F, CCB Tower,
3 Connaught Road Central,
Central,
Hong Kong

STOCK CODE

08223

COMPANY WEBSITE

www.ziyygroup.com

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF ZIYUANYUAN HOLDINGS GROUP LIMITED
紫元元控股集團有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Ziyuanyuan Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKSRE 2410"). A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	**Six months ended 30 June 2018 RMB'000 (Unaudited)**	2017 RMB'000 (Unaudited)
Revenue			
Finance lease income	3	**29,137**	24,615
Bank interest income		**13**	8
Exchange loss, net		**—**	(4)
Staff costs	6	**(3,525)**	(3,029)
Impairment losses on finance lease receivable	11	**(1,665)**	(917)
Listing expenses		**(3,577)**	(5,246)
Other operating expenses		**(4,884)**	(2,384)
Finance costs	4	**(6,178)**	(3,872)
Profit before taxation		**9,321**	9,171
Taxation	5	**(3,291)**	(3,696)
Profit and total comprehensive income for the period	6	**6,030**	5,475
Earnings per share			
– Basic (RMB cents)	8	**2.01**	1.84

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Non-current assets			
Furniture and office equipment	9	**611**	700
Finance lease receivable - non-current portion	10	**142,904**	150,167
Prepayments for acquisition of a trademark		**109**	109
Deferred tax assets	12	**4,455**	4,349
		148,079	155,325
Current assets			
Finance lease receivable - current portion	10	**192,991**	186,798
Prepayments and other receivables		**8,431**	7,461
Bank balances and cash		**5,989**	2,324
		207,411	196,583
Current liabilities			
Other payables and accrued charges		**8,327**	7,677
Deposits from finance lease customers - current portion	10	**24,592**	20,971
Deferred income - current portion	13	**9,393**	8,922
Financial Liability arising from repurchase agreements	14	**368**	8,713
Bank borrowing	14	**30,061**	—
Amounts due to related parties	18	**171**	26,351
Tax payable		**3,102**	5,461
		76,014	78,095
Net current assets		**131,397**	118,488
Non-current liabilities			
Deferred income - non-current portion	13	**7,280**	7,716
Deposits from finance lease customers - non-current portion	10	**55,986**	55,746
		63,266	63,462
Net assets		**216,210**	210,351
Capital and reserves			
Share capital	15	**88**	88
Reserves		**216,122**	210,263
Total equity		**216,210**	210,351

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital RMB'000	Share premium RMB'000	Capital and other reserves RMB'000 (note iv)	Statutory reserves RMB'000 (note i)	Retained profits RMB'000	Total RMB'000
At 1 January 2018 (audited)	**88**	**61,913**	**133,023**	**2,814**	**12,513**	**210,351**
Adjustments of application of accounting policy changes (note 2)	**—**	**—**	**—**	**—**	**(171)**	**(171)**
At 1 January 2018 (restated)	**88**	**61,913**	**133,023**	**2,814**	**12,342**	**210,180**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**6,030**	**6,030**
At 30 June 2018 (unaudited)	**88**	**61,913**	**133,023**	**2,814**	**18,372**	**216,210**
At 1 January 2017 (audited)	87	36,388	65,023	778	4,984	107,260
Profit and total comprehensive income for the period	—	—	—	—	5,475	5,475
Issue of shares (note ii)	1	25,525	—	—	—	25,526
Deemed contribution from a shareholder (note iii)	—	—	68,000	—	—	68,000
At 30 June 2017 (unaudited)	88	61,913	133,023	778	10,459	206,261

Notes:

(i) Pursuant to the articles of association of the subsidiary established in the People's Republic of China (the "PRC"), it is required to appropriate 10% or an amount to be determined by its directors of its profit after taxation in accordance with the relevant PRC regulations before any distribution of dividends to owners each year to the statutory reserve until the balance reaches 50% of its registered capital.

(ii) On 31 May 2017, the Company issued and allotted 10,000 new ordinary shares with a par value of HK$0.1 each to Hero Global Limited (the "Hero Global"), an immediate holding company of the Company, and the consideration of which was satisfied by capitalisation of an amount due by the Group to Hero Global of RMB25,526,000. The new shares rank pari passu with the existing shares in all respects.

(iii) At 28 March 2017, Hero Global waived an amount due from HK Lixin Trade Co., Limited (the "HK Lixin"), a subsidiary of the Company, amounting to RMB68,000,000, with this being accounted for as a deemed capital contribution from a shareholder.

(iv) Capital reserve and other reserve as at 1 January 2017 represents (i) the reserve arising from the acquisition of 55% equity interest of Ziyuanyuan (Shenzhen) International Finance Leasing Company Limited (the "ZYY shenzhen") a subsidiary of the company, through acquisition of HK Lixin; (ii) the difference between the aggregate of the issued capital of HK Lixin and ZYY Shenzhen directly attributable to Mr. Zhang Junshen and Mr. Zhang Junwei, the controlling individual shareholders of the Company (the "Controlling Individual Shareholders") and the net assets value of HK Lixin upon insertion of the Company and Honor Global Holding Limited as part of the group reorganisation; and (iii) the consideration paid on the acquisition of the remaining 45% equity interest of ZYY Shenzhen by HK Lixin from the Controlling Individual Shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**10,494**	(28,874)
INVESTING ACTIVITIES		
Bank interest income received	**13**	8
Purchase of furniture and office equipment and a trademark	**(12)**	(144)
Repayments from related parties	**—**	4,355
Advances to related parties	**—**	(1,900)
NET CASH FROM INVESTING ACTIVITIES	**1**	2,319
FINANCING ACTIVITIES		
Repayment to related parties	**(52,680)**	(25,068)
Repayment of financial liability arising from repurchase agreements	**(8,000)**	—
Interest paid for bank borrowing	**(1,036)**	(533)
Issue costs paid	**(924)**	(1,115)
Interest paid for financial liability arising from repurchase agreements	**(690)**	—
Bank borrowing raised	**30,000**	—
Advance from related parties	**26,500**	48,128
Cash receipts from financial liability arising from repurchase agreements	**—**	8,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(6,830)**	29,412
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,665**	2,857
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**2,324**	2,683
Effect of foreign exchange rate changes	**—**	(24)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**5,989**	5,516

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Rules").

The shares of the Company were listed on GEM of the Stock Exchange on 9 July 2018.

2. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGEMENT

Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting periods, as appropriate.

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's historical financial information for each of the three years ended 31 December 2017 included in the Accountants' Report in Appendix I of the prospectus of the Company dated 25 June 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and finance lease receivable and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9

<u>Classification and measurement of financial assets and financial liabilities</u>

All financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39 except for the impact of ECL.

The directors of the Company reviewed and assessed the Group's financial assets and financial liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and financial liabilities and the impacts thereof are detailed in Note 2.1.2.

<u>Impairment under ECL model</u>

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables and bank balances and cash) and finance lease receivable. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model *(Continued)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group applies the simplified approach to recognise lifetime ECL for finance lease receivable that results from transactions that are within the scope of HKAS 17.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model *(Continued)*

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model *(Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with HKAS 17 Leases.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and finance lease receivable for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.1.2.

2. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9, HKAS 17 and HKAS 39 at the date of initial application, 1 January 2018.

	Closing balance At 31 December 2017 under HKAS 17/39	**Remeasurement of loss allowance under ECL model under HKFRS 9**	**Opening balance At 1 January 2018 under HKFRS 9/ HKAS 17**
	RMB'000	RMB'000	RMB'000
Finance lease receivable	336,965	(228)	336,737
Deferred tax assets	4,349	57	4,406

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all finance lease receivable. To measure the ECL, finance lease receivable have been grouped based on shared credit risk characteristics. The finance lease receivable has substantially the same risk characteristics as the finance lease receivable for the same types of contracts.

2. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

As at 1 January 2018, the additional credit loss allowance of RMB228,000 and decrease in deferred taxation of RMB57,000 has been recognised against retained profits. The additional loss allowance is charged against the finance lease receivable.

Loss allowances for other financial assets at amortised cost mainly comprise bank balances and other receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. As at 1 January 2018, the directors of the Company reviewed and assessed the impairment of bank balances and other receivables under ECL model, and no additional loss allowance is recognised against retained profits.

All loss allowances for financial assets including finance lease receivable as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	(i) HKAS 39 carrying amount 31/12/2017	(ii) Remeasurements through opening retained earnings	(iii)=(i)+(ii) HKFRS 9 carrying amount 01/01/2018
	RMB'000	RMB'000	RMB'000
Financial assets			
Finance lease receivable (HKAS 17)	8,531	228	8,759

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue for both periods represents income received and receivable from the provision of finance leasing services in the PRC.

The chief operating decision maker ("CODM"), being the executive directors of the Company, have determined that the Group has only one operating and reportable segment, as the Group is principally engaged in providing finance leasing services in the PRC, and the CODM, reviews the condensed consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

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 non-current assets are principally derived from or located in PRC.

4. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Imputed interests on interest-free deposits from finance lease customers	**4,736**	3,296
Interests on bank borrowing repayable within one year	**1,097**	557
Interests on financial liability arising from repurchase agreements	**345**	19
	6,178	3,872

5. TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge (credit) comprises:		
Current tax		
– Enterprise Income Tax ("EIT") in the PRC	**3,340**	3,454
Deferred tax (Note 12)	**(49)**	242
	3,291	3,696

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group's operation in Hong Kong had no assessable income during both periods.

Under the Enterprise Income Tax Law of PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the subsidiaries in the PRC are subject to the tax rate of 25% during the reporting period.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' remuneration	**218**	76
Other staff costs		
– Salaries, allowances and other staff benefits	**2,946**	2,643
– Staffs' retirement benefit scheme contributions	**361**	310
Total staff costs	**3,525**	3,029
Depreciation of furniture and office equipment	**101**	94
Minimum lease payments under operating leases in respect of properties	**493**	361

7. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior reporting periods. The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data assuming capitalisation issue as explained in the subsection headed " Statutory and General Information - A. Further Information about Our Company and Our Subsidiaries - 3. Resolution in writing of our shareholders passed on 12 June 2018" in Appendix IV to the prospectus of the Company dated 25 June 2018 had been effective since 1 January 2017:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**6,030**	5,475

	Six months ended 30 June	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**300,000**	297,538

No diluted earnings per share are presented as there were no potential dilutive ordinary shares in issue during both periods.

9. FURNITURE AND OFFICE EQUIPMENT

During the current interim period, the Group acquired furniture and office equipment of RMB12,000 (six months ended 30 June 2017: RMB51,000).

10. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Finance lease receivable comprises:				
Within one year	**234,220**	227,770	**200,630**	192,834
In more than one year but not more than five years	**161,534**	167,771	**145,689**	152,662
	395,754	395,541	**346,319**	345,496
Less: Unearned finance income	**(49,435)**	(50,045)	**—**	—
Present value of minimum lease payments	**346,319**	345,496	**346,319**	345,496
Less: impairment loss allowance				
- individual and collective impairment allowance	**N/A**	(8,531)	**N/A**	(8,531)
- lifetime ECL allowance	**(10,424)**	N/A	**(10,424)**	N/A
	335,895	336,965	**335,895**	336,965
Analysed for reporting purposes as:				
Current assets			**192,991**	186,798
Non-current assets			**142,904**	150,167
			335,895	336,965

As at 30 June 2018, the effective interest rates of the above finance leases range mainly from 6.3% to 21.69% (31 December 2017: 6.3% to 22.7%) per annum.

10. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS *(Continued)*

The following is a credit quality analysis of finance lease receivable:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-past due	**320,840**	333,156
Past due (note)	**25,479**	12,340
Subtotal	**346,319**	345,496
Less: impairment allowance	**(10,424)**	(8,531)
	335,895	336,965

Note: In the event that instalments repayment of a finance lease receivable are past due, the entire outstanding balance of the finance lease receivable is classified as past due.

Finance lease receivables are mainly secured by the leased assets which are used in printing industry and logistics industry and customers' deposits where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 30 June 2018, the customers' deposits of RMB80,578,000 (unaudited) (31 December 2017: RMB76,717,000 (audited)) were received in advance. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in both periods.

The following is an aging analysis based on due dates of the finance lease receivable instalments which are past due (instalments which are not yet due at the end of the reporting period are excluded):

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Past due by:		
Less than one month	**1,577**	723
More than one month but less than three months	**801**	768
More than three months	**3,603**	446
	5,981	1,937

11. IMPAIRMENT ASSESSMENT ON FINANCE LEASE RECEIVABLE SUBJECT TO ECL MODEL

Provision matrix - internal credit rating

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all finance lease receivables. To measure the ECL, finance lease receivable has been grouped based on shared credit risk characteristics. The Group classifies credit risk into 4 grades. The internal credit risk ratings are based on qualitative (such as lessee's operating conditions, financial positions, usage of finance lease asset, etc.) and quantitative factors (mainly includes past due information of the finance lease receivable).

The following table provides information about the exposure to credit risk and ECL for finance lease receivable which are assessed collectively based on provision matrix as at 30 June 2018.

Internal credit rating	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Grade 1 - Low risk (note i)	1%	295,996	1,956
Grade 2 - Fair risk (note i)	11%	43,002	3,579
Grade 3 - Doubtful (note ii)	63%	7,321	4,889
Grade 4 - Loss (note ii)	N/A	—	—
		346,319	10,424

Notes:

(i) Included in Grade 1 and Grade 2 categories are finance lease receivable determined to have low or fair credit risk, and is no more than 90 days past due if default occurred.

(ii) Included in Grade 3 and Grade 4 categories are finance lease receivable with aggregate amounts of RMB7,321,000 as at 30 June 2018 are related to customers are in financial difficulties and the finance lease receivable are past due over 90 days. The Group is currently taking legal actions against these customers.

The measurement of ECL is a function of the PD, LGD and the exposure at default. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information.

The Group calculated PD by applying linear regression by inputting gross domestic product index, purchasing managers' index and certain other index with adjustment factors such as industry and region. The LGD were based on historical observed default rates over the expected life and by referencing the external database on regional recovery by creditors.

As at 30 June 2018, the Group provided RMB10,424,000 impairment allowance based on the provision matrix.

11. IMPAIRMENT ASSESSMENT ON FINANCE LEASE RECEIVABLE SUBJECT TO ECL MODEL *(Continued)*

Allowance for impairment

The movements in the allowance for impairment in respect of finance lease receivable during the current interim period were as follows:

	Grade 1 & 2	Grade 3 & 4	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018* (unaudited)	5,436	3,323	8,759
Impairment losses provided	99	1,566	1,665
Balance at 30 June 2018 (unaudited)	5,535	4,889	10,424

* The Group initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

12. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during both periods:

	Allowances for bad and doubtful debts/ECL provision	Temporary difference arising from finance lease income	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2017 (audited)	752	3,021	3,773
Credit (charge) to profit or loss	1,476	(900)	576
As at 31 December 2017 (audited)	2,228	2,121	4,349
Restated under HKFRS 9 (Note 2)	57	—	57
Credit (charge) to profit or loss	416	(367)	49
At 30 June 2018 (unaudited)	2,701	1,754	4,455

Under the EIT Law, withholding tax of 10% is imposed on dividends declared in respect of profits earned by the subsidiary in the PRC. As at 30 June 2018, deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to the retained profits of the subsidiary in the PRC amounting to approximately RMB35 million (31 December 2017: RMB25 million) as the Group is able to control the timing of the reversal of the temporary differences and the directors of the Company considered that the subsidiary in the PRC will not distribute any further dividend in the foreseeable future.

13. DEFERRED INCOME

Deferred income represents the difference between the nominal value of the deposits from finance lease customers and their fair values at initial recognition dates. Deferred income is recognised in the profit or loss using effective interest rate over the lease period.

14. FINANCIAL LIABILITY ARISING FROM REPURCHASE AGREEMENTS/BANK BORROWING

(a) Financial liability arising from repurchase agreements

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Financial liability arising from repurchase agreements	**368**	8,713
Carrying amount repayable*:		
Within one year and shown under current liabilities	**368**	8,713

* The amounts due are based on scheduled repayment dates set out in the agreements.

As at 30 June 2018, all the financial liability arising from repurchase agreements were secured by charges over certain finance lease receivables of the Group with an aggregate carrying value of RMB478,000 (31 December 2017: RMB8,860,000) and certain security deposits (included in other receivable) of the Group with an aggregate carrying value of RMB34,000 (31 December 2017: RMB834,000). Details of the transfers of financial assets are set out in Note 17.

As at 30 June 2018, all the borrowings were fixed-rate borrowings carrying interest at the rate of 10.00% (31 December 2017: 10.00%) per annum.

(b) Bank borrowing

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Secured and guaranteed bank borrowing	**30,061**	—
Carrying amounts repayable*:		
Within one year and shown under current liabilities	**30,061**	—

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

14. FINANCIAL LIABILITY ARISING FROM REPURCHASE AGREEMENTS/BANK BORROWING *(Continued)*

(b) Bank borrowing *(Continued)*

As at 30 June 2018, the bank borrowing was variable-rate borrowing with carrying interest per annum at 170% of the benchmark rate offered by the People's Bank of China.

As at 30 June 2018, the bank borrowing was guaranteed by Mr. Zhang Junshen, an executive director of the Company and one of the Company's Controlling Individual Shareholders, Mr. Zhang Shengjie, the father of Mr. Zhang Junshen, and Shenzhen Ziyuanyuan Investment Holdings Limited ("ZYY Holdings"), a company controlled by the Controlling Individual Shareholders, and secured by charges over certain finance lease receivable of the Group with the aggregate carrying value of RMB27,190,000. The guarantee of the bank borrowing from Mr. Zhang Junshen, Mr. Zhang Shengjie and ZYY Holdings was released subsequently upon listing of the Company's shares on the Stock Exchange.

15. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	**Share capital**
		HK$
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2017, 30 June 2017 and 1 January 2018	3,800,000	380,000
Increase in authorised capital (note i)	996,200,000	99,620,000
At 30 June 2018	1,000,000,000	100,000,000

	Number of shares	**Share capital**
		HK$
Issued and fully paid:		
At 1 January 2017	1,000,000	100,000
Issue of shares (note ii)	10,000	1,000
At 30 June 2017, 1 January 2018 and 30 June 2018	1,010,000	101,000

15. SHARE CAPITAL *(Continued)*

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Shown in the condensed consolidated statement of financial position	**88**	88

Notes:

(i) Pursuant to the resolution passed by the shareholders of the Company on 12 June 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of additional 996,200,000 ordinary shares of HK$0.1 each.

(ii) On 31 May 2017, 10,000 new ordinary shares with a par value of HK$0.1 each were issued and allocated to Hero Global. Details of this transaction are set out in note (ii) of the condensed consolidated statement of changes in equity.

16. OPERATING LEASE COMMITMENTS

As at 30 June 2018, the total future minimum lease payment under non-cancellable operating leases are payable as follows:

As lessee

The Group is the lessee of a number of properties held under operating leases. Leases are negotiated for an average term of two to three years and rentals are fixed throughout the lease period.

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**930**	997
After one year but within five years	**1,077**	1,438
	2,007	2,435

17. TRANSFERS OF FINANCIAL ASSETS

The following was the Group's finance lease receivable that were transferred to a financial institution by discounting those finance lease receivable. As the Group has not transferred the significant risks and rewards relating to these finance lease receivable, it continues to recognise the full carrying amount of the finance lease receivable and has recognised the cash received on the transfer as financial liability arising from repurchase agreements (Note 14).

These finance lease receivable and financial liabilities are carried at amortised cost in the Group's condensed consolidated statement of financial position.

	Finance lease receivable	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Carrying amount of transferred assets	**478**	8,860
Carrying amount of associated liabilities	**(368)**	(8,713)
Net position	**110**	147

18. RELATED PARTY DISCLOSURES

Save as disclosed in the condensed consolidated financial statements, the Group had the following balances were outstanding at the end of the reporting period and the following transactions with related parties during both periods.

(a) Related party balances

(i) Amounts due to related parties

Name of Related Party	**Relationship**	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
ZYY Holdings	Related party (*)	**—**	13,500
深圳市卡普辛一號影視傳媒有限公司	Related party (*)	**—**	12,680
HK Haiyan International Trade Limited	Related party (*)	**171**	171
		171	26,351

* The companies are controlled by the Controlling Individual Shareholders.

18. RELATED PARTY DISCLOSURES *(Continued)*

(a) Related party balances *(Continued)*

The amounts are non-trade in nature unsecured, interest-free and repayable on demand. The amounts as at 30 June 2018 have been fully settled subsequently prior to the completion of the listing of the Company's shares on the Stock Exchange.

(b) Compensation of key management personnel

During the reporting period, the remunerations of key management personnel which represent the directors of the Company and senior management were as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other allowances	**977**	735
Retirement benefit scheme contributions	**116**	82
	1,093	817

The remunerations of directors of the Company and senior management are determined having regard to the performance of individuals and market trends.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 9 July 2018, the Company issued a total of 100,000,000 ordinary shares of HK$0.1 each at HK$0.76 (equivalent to RMB0.6429) pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 298,990,000 ordinary shares of HK$0.1 each credited as fully paid to the shareholders by capitalising an amount of HK$29,899,000 (equivalent to RMB25,292,000) from the share premium account of the Company.

The board (the "**Board**") of directors (the "**Directors**") of Ziyuanyuan Holdings Group Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018 together with the corresponding comparative figures. This information should be read in conjunction with the prospectus of the Company dated 25 June 2018 (the "**Prospectus**").

BUSINESS REVIEW

The shares of the Company (the "**Shares**") were successfully listed on the GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 July 2018 (the "**Listing**").

The Group is principally engaged in providing equipment-based finance leasing services to small and medium-sized enterprises ("**SME**") customers in the printing and logistics industries in the People's Republic of China (the "**PRC**"). During the six months ended 30 June 2018, the Group was focused on providing finance leasing services to the printing and logistics industries 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 offering by the Group comprises direct finance leasing and sale-leaseback.

The diversified customer base of the Group consisting of SME customers in the target industries of printing and logistics in China has also been growing. The Group provided services to approximately 293 SME customers in these two industries across 25 provinces, municipalities and autonomous regions in China as at 30 June 2018.

FUTURE PROSPECTS

The Group plans to continue to strengthen its key market player position in the finance leasing industry in China and enhance its overall competitiveness and market share. The Group intends to achieve its objectives by adopting the following key business strategies: (i) further strengthen the Group's market position and expand the Group's business in its target industries in China; (ii) further strengthen the Group's risk management capabilities and enhance OA System; and (iii) explore new target industries for strategic development in China, in particular, the PRC medical device industry. The Group will draw on its experience of successful operation in the printing and logistics industries and combine it with the characteristics of the customers in the medical industry so as to develop a matching business model and risk management system for the industry. At this exploratory stage, the Group is conducting market researches and employee trainings in relation to the medical device industry and will conduct necessary trial operations and adjustments to the established model and risk management system, so as to prepare the entry into the industry when suitable market opportunities arise and the Group has adequate funds and resources available after the Listing.

FINANCIAL REVIEW

Revenue

The Group's revenue was principally derived from finance leasing income for the provision of finance leasing services to its customers in printing and logistics industries in the PRC. During the six months ended 30 June 2018, the Group's revenue increased by approximately RMB4.5 million or approximately 18.3% to approximately RMB29.1 million (six months ended 30 June 2017: approximately RMB24.6 million). Revenue from the printing industry continues to be the largest revenue contributor of the Group. The increase in revenue derived from the printing industry during the six months ended 30 June 2018 was mainly attributable to the increasing demand for printing equipment in China and the Group's efforts in securing new customers in this industry.

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 RMB3.0 million for the six months ended 30 June 2017 to approximately RMB3.5 million for the six months ended 30 June 2018. Such increase was mainly attributable to the increase in head count and staff salaries for existing staff.

Impairment losses on finance lease receivable

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 Group first assess whether impairment exists individually for financial lease receivables which had a history of past due. When the Group finds no objective evidence of impairment exists for an individually assessed financial lease receivable, the Group includes the financial lease receivables with similar credit risk characteristics and collectively assess them for impairment.

An impairment loss of approximately RMB0.9 million and RMB1.7 million was recognised for the six months ended 30 June 2017 and 2018 respectively. The increase in impairment loss was primarily due to an increase in impairment allowance as a result of an increase in finance lease receivable due to the business growth and the application of expected loss model under Hong Kong Financial Reporting Standard 9 ("**HKFRS9**") .

Listing expenses

Listing expenses comprised professional and other expenses in relation to the Listing. The listing expenses amounted to approximately RMB3.6 million for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately RMB5.2 million).

Other operating expenses

Other operating expenses include primarily sales and marketing expenses, rental expenses and other expenses. Other operating expenses increased from approximately RMB2.4 million for the six months ended 30 June 2017 to approximately RMB4.9 million for the six months ended 30 June 2018. The increase was mainly due to the Group increased sales and marketing expenses in connection with the Listing and to expand the Group's customer base and strengthen the foothold in the finance leasing industry in China for the six months ended 30 June 2018.

Finance costs

Finance costs consist of (i) interest incurred on financial liability arising from repurchase agreements; (ii) imputed interest expense on interest-free deposits from finance lease customers and (iii) interest on bank borrowing. Finance costs increased from approximately RMB3.9 million for the six months ended 30 June 2017 to approximately RMB6.2 million for the six months ended 30 June 2018. The increase was mainly due to that (i) imputed interest expense on interest-free deposits from finance lease customers increased from approximately RMB3.3 million for the six months ended 30 June 2017 to approximately RMB4.7 million for the six months ended 30 June 2018; and (ii) interest on bank borrowing increased from approximately RMB0.6 million for the six months ended 30 June 2017 to approximately RMB1.1 million for the six months ended 30 June 2018.

Taxation

The PRC enterprise income tax rate applicable to the Group's subsidiaries is 25%.

Profit and total comprehensive income attributable to owners of the Company

For the six months ended 30 June 2018 and 2017, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB6.0 million and RMB5.5 million, respectively. The increase of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the increase in revenue and decrease in listing expenses, offset by increased staff costs, impairment losses on finance lease receivable, other operating expenses and finance costs.

Dividend

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of any dividend for the six months ended 30 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the cash and cash equivalents were approximately RMB6.0 million (31 December 2017: approximately RMB2.3 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB131.4 million (31 December 2017: approximately RMB118.5 million) and approximately RMB216.2 million (31 December 2017: approximately RMB210.4 million), respectively.

As at 30 June 2018, the Group's bank borrowing with maturity within one year amounted to approximately RMB30.0 million (31 December 2017: Nil).

As at 30 June 2018, the gearing ratio was approximately 12.3% (31 December 2017: 4.0%), which is calculated as bank borrowing and financial liability arising from repurchase agreements divided by total equity plus bank borrowing and financial liability arising from repurchase agreements. Such increase was mainly due to increasing bank borrowing for business expansion.

CAPITAL STRUCTURE

The Shares were successfully listed on the GEM of the Stock Exchange on 9 July 2018 (the "**Listing Date**"). There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary Shares.

As at 30 June 2018, the Company's issued share capital was HK$101,000 and the number of its issued ordinary Shares was 1,010,000 of HK$0.1 each.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the six months ended 30 June 2018 were principally denominated in RMB, and most of the assets and liabilities as at 30 June 2018 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 six months ended 30 June 2018.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had no capital commitments (31 December 2017: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, all the finance liability arising from repurchase agreements were secured by charges over certain finance lease receivables of the Group with an aggregate carrying value of approximately RMB0.5 million (31 December 2017: RMB8.9 million) and certain security deposits (included in other receivables) of the Group with an aggregate carrying value of approximately RMB0.1 million (31 December 2017: RMB0.8 million).

As at 30 June 2018, the Group's finance lease receivables with an aggregate carrying value of approximately RMB27.2 million (31 December 2017: Nil) were pledged to a bank in the PRC to secure a bank borrowing of the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2018, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

INFORMATION ON EMPLOYEES

As at 30 June 2018, the Group employed 36 employees (31 December 2017: 34 employees) with total staff cost of approximately RMB3.5 million incurred for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB3.0 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

USE OF PROCEEDS

The Shares were listed on GEM on 9 July 2018 (the "**Share Offer**"). The actual net proceeds from the Share Offer, after deducting commissions and expenses borne by the Company in connection with the Share Offer, were approximately HK$45.6 million (the "**Actual Net Proceeds**"), which were lower than the estimated figure as stated in the Prospectus. Thus, the Company plans to apply the Actual Net Proceeds on the same implementation plans as disclosed under the section readed "Future Plans and Use of Proceeds" in the Prospectus but with monetary adjustments to each implementation plans on a pro-rata basis. The table below sets out the adjusted allocation and the actual usage of the Actual Net Proceeds as at the date of this report.

Use of proceed	Adjusted allocation of the Actual Net Proceeds HK$'000	Actual usage of the Actual Net Proceeds HK$'000
Developing the Group's existing finance lease business in the PRC printing and logistics industries	40,402	19,800
Expanding the Group's business in these two industries in the northern and eastern parts of China	3,146	—
Exploring the new target industries for the Group's finance leasing business	1,003	—
General working capital	1,049	457
	45,600	20,257

DISCLOSURE OF INTEREST

Directors' and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporations

Since the Company's shares were not listed on the GEM as at 30 June 2018, Divisions 7 and 8 of Part XV of the Securities and Future Ordinance ("SFO") and section 352 of the SFO were not applicable to the Company, the Directors and chief executive of the Company as at 30 June 2018.

As at the date of this interim report, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held/interested in	Approximate percentage of shareholding [(1)]
Mr. Zhang Junshen[(1)(2)]	Interest in controlled corporation; interest held jointly with another person	300,000,000	75%
Mr. Zhang Junwei[(1)(3)]	Interest in controlled corporation; interest held jointly with another person	300,000,000	75%

Notes:

(1) On 24 February 2017, the ultimate controlling shareholders of the Company, namely Mr. Zhang Junshen and Mr. Zhang Junwei entered into a concert parties confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert with each member of the Group from the incorporation dates of the respective members of the Group and continue as at and after the date of the concert parties confirmatory deed, details of which are set out in the subsection headed "History and Reorganisation — Parties Acting in Concert" in the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of the controlling shareholders of the Company, namely Hero Global Limited ("Hero Global") (being wholly owned by Mr. Zhang Junshen), Mr. Zhang Junshen, Icon Global Holding Limited (標緻全球控股有限公司) ("Icon Global") (being wholly owned by Mr. Zhang Junwei) and Mr. Zhang Junwei, is deemed to be interested in 75.0% of the issued share capital of the Company.

(2) 300,000,000 Shares in which Mr. Zhang Junshen is interested consist of the following: (i) 219,801,980 Shares held by Hero Global, a company wholly owned by Mr. Zhang Junshen, in which Mr. Zhang Junshen is deemed to be interested under the SFO; and (ii) 80,198,020 Shares in which Mr. Zhang Junshen is deemed to be interested as a result of being a party acting-in-concert with Mr. Zhang Junwei.

(3) 300,000,000 Shares in which Mr. Zhang Junwei is interested consist of (i) 80,198,020 Shares held by Icon Global, a company wholly owned by Mr. Zhang Junwei, in which Mr. Zhang Junwei is deemed to be interested under the SFO; and (ii) 219,801,980 Shares in which Mr. Zhang Junwei is deemed to be interested as a result of being a party acting-in-concert with Mr. Zhang Junshen.

Long position in the associated corporations

Name of Director	Name of associated corporations	Capacity/ nature of interest	Number and class of securities	Percentage of Shareholding
Mr. Zhang Junshen	Hero Global	Beneficial owner	50,000 ordinary shares	100%
Mr. Zhang Junwei	Icon Global	Beneficial owner	100 ordinary shares	100%

Save as disclosed above, as at the date of this interim report, none of the Directors or chief executive of the Company had an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial shareholders' interests and short positions in Shares and underlying Shares of the Company

Since the Company's Shares were not listed on GEM as at 30 June 2018, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company and the substantial shareholders as at 30 June 2018.

So far as the Directors are aware, as at the date of this interim report, the following persons (other than Directors or chief executive of the Company) who had interests in the Shares and underlying Shares of the Company within the meaning of Part XV of the SFO which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company were as follows:

Long positions in the Shares

Name of shareholder	Capacity/ Nature of interest	Number of Shares held/interested in	Approximate percentage of shareholding
Hero Global[(1)]	Beneficial owner; interests held jointly with another person	300,000,000	75%
Icon Global[(1)]	Beneficial owner; interests held jointly with another person	300,000,000	75%
Ms. Tang Yiping[(2)]	Interest of spouse	300,000,000	75%

Notes:

(1) On 24 February 2017, the ultimate controlling shareholders of the Company, namely Mr. Zhang Junshen and Mr. Zhang Junwei entered into a concert parties confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert with each member of the Group from the incorporation dates of the respective members of the Group and continue as at and after the date of the concert parties confirmatory deed, details of which are set out in the subsection headed "History and Reorganisation — Parties Acting in Concert" in the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of the controlling shareholders of the Company, namely Hero Global (being wholly owned by Mr. Zhang Junshen), Mr. Zhang Junshen, Icon Global (being wholly owned by Mr. Zhang Junwei) and Mr. Zhang Junwei, is deemed to be interested in 75.0% of the issued share capital of the Company.

(2) Ms. Tang Yiping is the spouse of Mr. Zhang Junshen, and she is deemed, or taken to be, interested in all Shares in which Mr. Zhang is interested in for the purposes of the SFO.

Save as disclosed above, as at the date of this interim report, the Directors were not aware of any other person (other than the Directors or chief executive of the Company as disclosed in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporations" above) who had or deemed to have interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "**Model Code**"). Having been specific enquired by the Company, all the Directors have confirmed that they have complied with the Model Code for the period from the Listing Date up to the date of this report.

In addition, the Company has also adopted provisions of the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company. Such relevant employees did and would abide by the provisions of the Model Code. Besides, the Company has adopted internal control policy in relation to the disclosure of inside information of the Company (the "**Inside Information Policy**").

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company from the Listing Date up to the date of this report.

COMPETING INTEREST

During the six months ended 30 June 2018, none of the Directors or the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group or has any conflicts of interest with the Group.

DEED OF NON-COMPETITION

The controlling shareholders of the Company, namely Mr. Zhang Junshen (through Hero Global), Mr. Zhang Junwei (through Icon Global), (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 since the Listing Date up to the date of this report.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As shares of the Company were first listed on GEM of the Stock Exchange on 9 July 2018, purchase, sales or redemption of the Company's listed securities was not applicable for the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this report.

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.

Since the Listing Date and up to the date of this report, 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.

CODE PROVISION A.2.1

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 Junshen is the chairman and the chief executive officer of the Company, this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Zhang Junshen and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

EVENT AFTER THE REPORTING PERIOD

On 9 July 2018, the Shares were successfully listed on GEM of the Stock Exchange with stock code 8223. Save as disclosed, there is no significant event after the reporting period of the Group.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Guoyuan Capital (Hong Kong) Limited ("**Guoyuan Capital**"), the Company's compliance adviser, save for the compliance adviser service agreement entered into between the Company and Guoyuan Capital dated 28 March 2017, none of Guoyuan Capital or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 June 2018, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Group has established an audit committee (the "**Audit Committee**") pursuant to a resolution of the Directors passed on 12 June 2018 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code.

The Audit Committee currently consists of one of our non-executive Directors, namely Ms. Shen Qingli and two of our independent non-executive Directors, namely Chan Chi Fung Leo and Mr. Li Zhensheng and the chairman is Mr. Chan Chi Fung Leo, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 9 August 2018

As at the date of this interim report, the executive Directors are Mr. Zhang Junshen (Chairman and Chief Executive Officer), Mr. Liu Zhiyong, the non-executive Directors are Mr. Zhang Junwei and Ms. Shen Qingli and the independent non-executive Directors are Mr. Chan Chi Fung Leo, Mr. Li Zhensheng and Mr. Chow Siu Hang.