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

First Quarterly Report

2019

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

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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.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

The board of Directors (the "**Board**") hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "**Group**") for the three months ended 31 March 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

		Three months ended 31 March	
		2019	2018
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Revenue			
Finance lease income	3	**17,532**	14,751
Bank interest income		**53**	5
Exchange gain/(loss), net		**(66)**	–
Staff costs		**(3,634)**	(1,606)
Impairment losses on finance lease receivable		**(1,030)**	(1,273)
Listing expenses		**–**	(3,416)
Other operating expenses		**(3,470)**	(1,674)
Share of result of an associate		**(69)**	–
Finance costs	4	**(3,406)**	(3,190)
Profit before taxation		**5,910**	3,597
Taxation	5	**(1,868)**	(1,242)
Profit and total comprehensive income for the period attributable to owners of the Company	6	**4,042**	2,355
Earnings per share			
– Basic (RMB cents)	8	**1.01**	0.79

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Share capital	Share premium	Capital and other reserves	Statutory reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note (ii))	(Note (i))		
At 1 January 2019 (audited)	**33,839**	**84,435**	**133,023**	**5,392**	**26,709**	**283,398**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**4,042**	**4,042**
At 31 March 2019 (unaudited)	**33,839**	**84,435**	**133,023**	**5,392**	**30,751**	**287,440**
At 1 January 2018 (audited)	88	61,913	133,023	2,814	12,342	210,180
Profit and total comprehensive income for the period	–	–	–	–	2,355	2,355
At 31 March 2018 (unaudited)	88	61,913	133,023	2,814	14,697	212,535

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) Capital and other reserves 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 ("**ZYY Finance Leasing**"), a subsidiary of the Company, through acquisition of HK Lixin Trade Co., Limited ("**HK Lixin**"); (ii) the difference between the aggregate of the issued capital of HK Lixin and ZYY Finance Leasing 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 Finance Leasing by HK Lixin from the Controlling Individual Shareholders.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") 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 unaudited 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.

The preparation of the unaudited consolidated financial results in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated financial statements for the three months ended 31 March 2019 are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2018.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Application of new and amendments to HKFRSs

In the current period, the Group has applied the new and amendments to HKFRSs issued by the HKICPA which are effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's unaudited condensed consolidated financial statements.

Except as described below, the application of new and amendments to HKFRSs in the current period has no material impact on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

HKFRS 16 Leases

The Group transitioned to HKFRS 16 in accordance with the modified retrospective approach and therefore comparative figures were not restated. Upon application of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The associated right-of-use assets were measured at the amount equal to the respective lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 31 December 2018. In addition, the Group elected to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the consolidated statement of financial position immediately before the date of initial application. The Group also decided not to apply HKFRS 16 to leases whose terms will end within twelve months from the date of initial application. In such cases, the leases are accounted for as short-term leases and the lease payments associated with the leases are recognised as an expense from short-term leases.

3. REVENUE

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

4. FINANCE COSTS

	Three months ended 31 March	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Imputed interests on interest-free deposits from finance lease customers	**2,785**	2,534
Interests on bank borrowing repayable within one year	**564**	468
Interests on lease liabilities	**57**	–
Interests on financial liability arising from repurchase agreements	**–**	188
	3,406	3,190

5. TAXATION

	Three months ended 31 March	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
– Enterprise Income Tax in the PRC	**1,465**	1,124
Deferred tax	**403**	118
	1,868	1,242

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:

	Three months ended 31 March	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' remuneration	**353**	–
Other staff costs		
– Salaries, allowances and other staff benefits	**3,116**	1,483
– Staffs' retirement benefit scheme contributions	**165**	123
Total staff costs	**3,634**	1,606
Loss on disposal of furniture and office equipment	**15**	–
Depreciation of furniture and office equipment	**878**	184
Minimum lease payments under operating leases in respect of properties	**–**	232

7. DIVIDENDS

The board of Directors of the Company does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2019 (three months ended 31 March 2018: 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 2018:

	Three months ended 31 March	
	2019	2018
	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	**4,042**	2,355

	Three months ended 31 March	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000**	300,000

No diluted earnings per share are presented as there were no potential dilutive ordinary shares in issue for the three months ended 31 March 2019 and 2018.

The Board of Directors of the Company announces the unaudited condensed consolidated quarterly results of the Group for the three months ended 31 March 2019 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 on 9 July 2018 (the "**Listing**").

The Group is principally engaged in providing equipment-based finance leasing services to SMEs customers in the printing, logistics and medical device industries in the PRC. For the three months ended 31 March 2019, the Group has been focusing on providing finance leasing services to the medical device, 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 offered by the Group comprises direct finance leasing and sale-leaseback.

The diversified customer base of the Group consisting of SMEs customers in the target industries of printing and logistics in the PRC has also been growing. In addition, the Group also started the operation of medical device industry since October 2018. The Group provided services to approximately 368 SME customers in these three industries across 28 provinces, municipalities and autonomous regions in the PRC as at 31 March 2019.

FUTURE PROSPECTS

In the current market environment of the PRC, SMEs face challenges on the path of development due to high operational and financing costs. In recent years, the People's Bank of China enhanced its policy support to major fields including SMEs and fragile aspects of domestic economy and devoted greater effort in procuring financial institutions to provide proactive support to the financing of SMEs, all of which gave supportive measures to the finance leasing industry. The scale and number of SMEs in the PRC are gigantic and yet the finance leasing market got off to a late start. Along with the development of the financing lease and increasing demand in the financing market, the penetration of finance lease has been deepening constantly, paving the way of a promising outlook of the finance leasing market in the PRC.

The immense population and acceleration of aging population, together with burgeoning domestic demands under the new economic background, have made the medical field a new economic breakthrough with significant value-added potentials. The Group initiated pre-emptive deployment of medical device leasing and related fields in order to snatch pioneer opportunities and support the industrial upgrade of the medical industry.

The Group has started planning to transform its finance leasing from traditional to a technological one. With the financial technology development as the core in coordination with finance leasing services, the Group will carry out in-depth utilisation of the integration of financial technology and big data application with finance leasing industry in order to secure better industrial upgrade and progress for SMEs in the PRC, and will plan to continuously consolidate its position as a major market player in the finance leasing industry in the PRC, striving for overall competitiveness and market share enhancement.

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 medical devices, printing and logistics industries in the PRC. For the three months ended 31 March 2019, the Group's revenue increased by approximately RMB2.7 million or approximately 19% to approximately RMB17.5 million (three months ended 31 March 2018: approximately RMB14.8 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 for the three months ended 31 March 2019 was mainly attributable to the increasing demand for printing equipment in the PRC and the Group's efforts in securing new customers in this industry. In addition, the increase in revenue was also attributable to the Group having started the operation of medical device industry since October 2018.

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 RMB1.6 million for the three months ended 31 March 2018 to approximately RMB3.6 million for the three months ended 31 March 2019. 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 management assesses the measurement of expected credit losses ("**ECL**") in relation to finance lease receivable and uses provision matrix to calculate ECL. In determining the impairment of finance lease receivable, 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 forwardlooking basis with the use of appropriate models and assumptions relate to the economic inputs and the future macroeconomic conditions.

For the three months ended 31 March 2019, an additional impairment loss of approximately RMB1.0 million (three months ended 31 March 2018: approximately RMB1.3 million) was recognised 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 ECL model under Hong Kong Financial Reporting Standard 9.

Listing expenses

Listing expenses comprised professional and other expenses in relation to the Listing. The Shares were successfully listed on the GEM of the Stock Exchange on 9 July 2018 (the "**Listing Date**") and hence no listing expenses were incurred for the three months ended 31 March 2019 (three months ended 31 March 2018: approximately RMB3.4 million).

Other operating expenses

Other operating expenses include primarily sales and marketing expenses, rental expenses and other expenses. Other operating expenses increased from approximately RMB1.8 million for the three months ended 31 March 2018 to approximately RMB3.5 million for the three months ended 31 March 2019. The increase was mainly due to an increase in (i) the legal and professional fee; and (ii) travelling expenses and sales and marketing expenses in connection with the expansion of the Group's customer base and strengthening of the foothold in the finance leasing industry in the PRC for the three months ended 31 March 2019.

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; (iii) interest on bank borrowing; and (iv) interests on lease liabilities. Finance costs increased from approximately RMB3.2 million for the three months ended 31 March 2018 to approximately RMB3.4 million for the three months ended 31 March 2019. The increase was mainly due to that (i) imputed interest expense on interest-free deposits from finance lease customers increased from approximately RMB2.5 million for the three months ended 31 March 2018 to approximately RMB2.8 million for the three months ended 31 March 2019; and (ii) interest on bank borrowing increased from approximately RMB0.5 million for the three months ended 31 March 2018 to approximately RMB0.6 million for the three months ended 31 March 2019.

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 three months ended 31 March 2019 and 2018, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB4.0 million and RMB2.4 million, respectively. The increase of profit and total comprehensive income attributable to owners of the Company for the three months ended 31 March 2019 was mainly attributable to an increase in revenue and a decrease in listing expenses, which offsetting an increase in staff costs and other operating expenses as compared to the corresponding period in 2018.

Dividend

The Board of Directors of the Company does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2019 (three months ended 31 March 2018: Nil).

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 March 2019, the Company's issued share capital was HK$40,000,000 and the number of its issued ordinary Shares was 400,000,000 of HK$0.1 each.

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

As at 31 March 2019, 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 (being wholly owned by Mr. Zhang Junshen), Mr. Zhang Junshen, Icon Global Holding Limited ("**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 31 March 2019, 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

So far as the Directors are aware, as at 31 March 2019, the 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 Junshen is interested in for the purposes of the SFO.

Save as disclosed above, as at 31 March 2019, 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.

COMPETING INTEREST

For the three months ended 31 March 2019, 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

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. Other than the deviation from code provision A.2.1, the Company has adopted and complied with, where applicable, the CG Code to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

Up to the date of this 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

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 March 2019 and up to the date of this report.

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 31 March 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct for the three months ended 31 March 2019 and up to date of this report.

AUDIT COMMITTEE AND REVIEW OF QUARTERLY RESULTS

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

The Audit Committee currently consists of our non-executive Director, namely Ms. Shen Qingli and two of our independent non-executive Directors, namely Mr. 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 financial information in this report has not been audited. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2019 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 9 May 2019

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