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

Interim Report

2019

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*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 of the Stock Exchange (the "**GEM Listing Rules**") 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. Zhang Junwei

Non-executive Directors

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

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AUDITOR

Deloitte Touche Tohmatsu
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Hong Kong

PRINCIPAL BANKS

Guangdong Huaxing Bank Co., Ltd.
Shenzhen Branch
Agricultural Bank of China Limited
Shenzhen Central Branch
Industrial and Commercial Bank of China
(Asia) Limited

CORPORATE INFORMATION

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STOCK CODE

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COMPANY WEBSITE

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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 6 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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. 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.

OTHER MATTER

We draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for each of the three-month periods ended 30 June 2019 and 30 June 2018 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Three months ended		Six months ended	
		30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
		RMB'000	RMB'000	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue					
– finance leasing services income	3	**16,009**	14,386	**32,880**	29,137
Bank interest income		**6**	8	**15**	13
Other gains and losses		**32**	–	**10**	–
Staff costs	7	**(3,441)**	(1,919)	**(7,075)**	(3,525)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	12	**(727)**	(161)	**(1,757)**	(1,665)
Listing expenses		**–**	(392)	**–**	(3,577)
Other operating expenses		**(4,063)**	(3,210)	**(7,533)**	(4,884)
Share of profit (loss) of an associate	4	**32**	–	**(37)**	–
Finance costs	5	**(2,655)**	(2,988)	**(5,400)**	(6,178)
Profit before taxation		**5,193**	5,724	**11,103**	9,321
Taxation	6	**(1,819)**	(2,049)	**(3,687)**	(3,291)
Profit and total comprehensive income for the period	7	**3,374**	3,675	**7,416**	6,030
Earnings per share					
– Basic (RMB cents)	9	**1**	1	**2**	2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**30.6.2019 RMB'000 (Unaudited)**	31.12.2018 RMB'000 (Audited)
Non-current assets			
Furniture and office equipment	10	**798**	551
Right-of-use assets	10	**5,826**	–
Interest in an associate	4	**963**	–
Finance lease receivable	11	**160,718**	151,762
Deferred tax assets	13	**4,583**	4,576
Refundable rental deposits		**836**	–
		173,724	156,889
Current assets			
Finance lease receivable	11	**245,027**	217,001
Prepayments and other receivables		**6,747**	4,495
Bank balances and cash		**3,775**	25,004
		255,549	246,500
Current liabilities			
Other payables and accrued charges		**3,623**	3,907
Tax payable		**4,506**	5,552
Lease liabilities	10	**3,065**	–
Deposits from finance lease customers	11	**27,882**	25,473
Deferred income	14	**5,305**	7,523
Bank borrowings	15	**65,132**	30,065
		109,513	72,520
Net current assets		**146,036**	173,980
Non-current liabilities			
Lease liabilities	10	**2,771**	–
Deposits from finance lease customers	11	**24,487**	43,482
Deferred income	14	**1,688**	3,989
		28,946	47,471
Net assets		**290,814**	283,398
Capital and reserves			
Share capital	16	**33,839**	33,839
Reserves		**256,975**	249,559
Total equity		**290,814**	283,398

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital RMB'000	Share premium RMB'000	Capital and other reserves RMB'000 (note i)	Statutory reserves RMB'000 (note ii)	Retained profits RMB'000	Total RMB'000
At 1 January 2019 (unaudited)	**33,839**	**84,435**	**133,023**	**5,392**	**26,709**	**283,398**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**7,416**	**7,416**
At 30 June 2019 (unaudited)	**33,839**	**84,435**	**133,023**	**5,392**	**34,125**	**290,814**
At 1 January 2018 (audited)	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

Notes:

(i) Capital and other reserves 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; (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; and (iv) Hero Global Limited ("**Hero Global**"), an immediate holding company of the Company, waived an amount due from HK Lixin, a subsidiary of the Company, amounting to RMB68,000,000, which was accounted for as a deemed capital contribution from a shareholder.

(ii) Pursuant to the articles of association of the subsidiaries 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(51,518)**	10,494
INVESTING ACTIVITIES		
Redemption of structured deposits	**23,044**	–
Bank interest income received	**15**	13
Payments for right-of-use assets	**(223)**	–
Payments for rental deposits	**(270)**	–
Purchase of furniture and office equipment	**(388)**	(12)
Investment in an associate	**(1,000)**	–
Placement of structured deposits	**(23,000)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(1,822)**	1
FINANCING ACTIVITIES		
Bank borrowing raised	**35,000**	30,000
Advance from related parties	**–**	26,500
Interest paid for leases liabilities	**(188)**	–
Repayments of leases liabilities	**(1,085)**	–
Interest paid for bank borrowings	**(1,616)**	(1,036)
Repayment to related parties	**–**	(52,680)
Repayment of financial liability arising from repurchase agreements	**–**	(8,000)
Issue costs paid	**–**	(924)
Interest paid for financial liability arising from repurchase agreements	**–**	(690)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**32,111**	(6,830)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(21,229)**	3,665
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**25,004**	2,324
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**3,775**	5,989

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 have been listed on GEM of the Stock Exchange with effect from 9 July 2018.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and the accounting policy stated below for the new items in the current period (in respect of investments in associates and research and development expenditure), the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee *(Continued)*

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee *(Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee *(Continued)*

Lease liabilities *(Continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sale and leaseback transactions

The Group acts as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a finance lease receivable equal to the transfer proceeds within the scope of HKFRS 9.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee *(Continued)*

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedient to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS16.C8 (b) (ii) transition. The Group recognised lease liabilities of RMB1,303,000 and right-of-use assets of RMB1,303,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 7.0%.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee *(Continued)*

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	4,840
– Lease commencement date after 31 December 2018	3,397
– Lease commencement date on or before 31 December 2018	1,443
Lease liabilities discounted at relevant incremental borrowing rates	1,329
Less: Recognition exemption – short-term leases	(26)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	1,303
Lease liabilities as at 1 January 2019	1,303
Analysed as	
Current	641
Non-current	662
	1,303

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee *(Continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		1,303
Adjustments on rental deposits at 1 January 2019	(a)	–
		1,303
By class:		
Land and buildings		1,303

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. The discounting effect has had no material impact on the carrying amount of the refundable rental deposits of the Group as at 1 January 2019.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Sales and leaseback transactions

The Group acts as a buyer-lessor

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of HKFRS 15 as a sale. During the period, all sales and leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under HKFRS 9.

The transition to HKFRS 16 has no material impact on the retained profits at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Right-of-use assets	–	1,303	1,303
Current Liabilities			
Lease liabilities	–	641	641
Non-current liabilities			
Lease liabilities	–	662	662

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

Sales and leaseback transactions *(Continued)*

The Group acts as a buyer-lessor *(Continued)*

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Except as described above, the adoption of HKFRS 16 resulted in no other impact on the carrying amounts as at 1 January 2019.

As lessor, the application of HKFRS 16 has had no material impact on the amounts reported in the condensed consolidated financial statements for the six months ended 30 June 2019.

2.2 Investments in associates

An associate is an entity over which the Group has significant influence. 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 an associate are incorporated in these condensed consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the condensed 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 ("**OCI**") of the associate. Changes in net assets of the associate other than profit or loss and OCI are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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 or 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.2 Investments in associates (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* 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 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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, 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. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant 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 OCI 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 OCI 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) upon disposal/partial disposal of the relevant associate.

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 OCI 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 condensed consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.3 Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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 attributable to and located in the PRC. None of the customers contributed over 10% of the total revenue of the Group of the corresponding periods.

4. SHARE OF PROFIT (LOSS) OF AN ASSOCIATE/INTEREST IN AN ASSOCIATE

Details of the Group's interest in an associate are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cost of investment in an associate, unlisted	**1,000**	–
Share of post-acquisition loss	**(37)**	–
	963	–

	Three months ended		**Six months ended**	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	**30.6.2019 RMB'000 (Unaudited)**	30.6.2018 RMB'000 (Unaudited)
Share of profit (loss) of an associate	**32**	–	**(37)**	–

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	**Place of establishment**	**Particulars of authorised and paid up capital**	**Proportion of ownership interest/voting rights held by the Group as at**		**Principal activity**
			30.6.2019	31.12.2018	
Shenzhen Kangyi Pediatric Medical Equipment Sharing Management Co., Ltd.# (深圳康益兒科醫械共享管理有限公司)	PRC	RMB5,000,000	**20%**	–	Sales and rental of medical equipment

\# English translated name is for identification purpose only.

Note: The Group is able to exercise significant influence over the entity because it has the power to appoint one out of three directors of the entity under the Articles of Association of the entity.

5. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Imputed interests on interest-free deposits from finance lease customers	**1,437**	2,202	**3,529**	4,736
Interests on bank borrowing repayable within one year	**1,119**	629	**1,683**	1,097
Interests on financial liability arising from repurchase agreements	**–**	157	**–**	345
Interests on lease liabilities	**99**	–	**188**	–
	2,655	2,988	**5,400**	6,178

6. TAXATION

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
The charge (credit) comprises:				
Current tax				
– PRC Enterprise Income Tax	**2,229**	2,216	**3,694**	3,340
Deferred tax (Note 13)	**(410)**	(167)	**(7)**	(49)
	1,819	2,049	**3,687**	3,291

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.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Directors' emoluments	**320**	109	**673**	218
Other staff costs				
– Salaries, allowances and other staff benefits	**3,842**	1,687	**6,968**	3,071
– Staffs' retirement benefit scheme contributions	**247**	123	**402**	236
Total staff costs	**4,409**	1,919	**8,043**	3,525
Less: staff costs recognised as research and development costs in other operating expenses	**(968)**	–	**(968)**	–
Staff costs recognised in profit or loss	**3,441**	1,919	**7,075**	3,525
Research and development costs recognised as an expense (included in other operating expenses)	**1,052**	–	**1,052**	–
Written off furniture and office equipment	**–**	–	**15**	–
Depreciation of furniture and office equipment	**72**	51	**126**	101
Depreciation of right-of-use assets	**762**	–	**1,318**	–
Short-term leases payments	**–**	N/A	**37**	N/A
Minimum lease payments under operating leases in respect of properties	**N/A**	261	**N/A**	493

8. 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 2019 (six months ended 30 June 2018: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data assuming capitalisation issue of shares of the Company (note 16) had been effective since 1 January 2018:

	Three months ended		**Six months ended**	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings:				
Earnings for the purpose of basic earnings per share				
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**3,374**	3,675	**7,416**	6,030

	Three months ended		**Six months ended**	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	'000	'000	**'000**	'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000**	300,000	**400,000**	300,000

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

10. MOVEMENTS IN FURNITURE AND OFFICE EQUIPMENT/RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired furniture and office equipment of RMB388,000 (six months ended 30 June 2018: RMB12,000).

During the current interim period, the Group entered into several new lease agreements for rent of offices within 3 years. The Group is required to make fixed payments during the contract period. On lease commencement, the Group recognised RMB5,841,000 of right-of-use assets and RMB5,618,000 lease liabilities.

11. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

	Minimum lease payments		**Present value of minimum lease payments**	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Finance lease receivable comprises:				
Within one year	**300,967**	268,706	**255,411**	225,801
In more than one year but not more than five years	**184,163**	171,128	**163,009**	153,880
	485,130	439,834	**418,420**	379,681
Less: Unearned finance income	**(66,710)**	(60,153)	**–**	–
Present value of minimum lease payments	**418,420**	379,681	**418,420**	379,681
Less: Lifetime ECL allowance	**(12,675)**	(10,918)	**(12,675)**	(10,918)
	405,745	368,763	**405,745**	368,763
Analysed for reporting purposes as:				
Current assets			**245,027**	217,001
Non-current assets			**160,718**	151,762
			405,745	368,763

As at 30 June 2019, the effective interest rates of the above finance leases range mainly from 9.25% to 21.2% (31 December 2018: 9.5% to 21.2%) per annum.

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

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-past due	**400,064**	365,058
Past due (note)	**18,356**	14,623
Subtotal	**418,420**	379,681
Less: Lifetime ECL allowance	**(12,675)**	(10,918)
	405,745	368,763

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 2019, the customers' deposits of RMB52,369,000 (unaudited) (31 December 2018: RMB68,955,000 (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.

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

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 2019	31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Past due by:		
1 – 30 days	**433**	937
31 – 90 days	**806**	1,078
More than 90 days	**5,696**	4,589
	6,935	6,604

Details of impairment assessment for the reporting period are set out in note 12.

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

	Three months ended		**Six months ended**	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Impairment loss recognised in respect of finance lease receivable	**727**	161	**1,757**	1,665

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL *(Continued)*

As at 30 June 2019

Internal credit rating	Lifetime ECL	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Finance lease receivable				
Low risk	Lifetime ECL – (not credit-impaired)	1%	390,166	3,279
Fair risk	Lifetime ECL – (not credit-impaired)	12%	19,736	2,452
Loss	Lifetime ECL – (credit-impaired)	82%	8,518	6,944
			418,420	12,675

As at 31 December 2018

Internal credit rating	Lifetime ECL	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Finance lease receivable				
Low risk	Lifetime ECL – (not credit-impaired)	1%	340,476	2,546
Fair risk	Lifetime ECL – (not credit-impaired)	10%	30,623	2,221
Loss	Lifetime ECL – (credit-impaired)	73%	8,582	6,151
			379,681	10,918

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for finance lease receivable under the simplified approach.

	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2019	4,767	6,151	10,918
Transfer to credit-impaired (note)	(622)	622	–
Impairment losses, net of reversal	1,586	171	1,757
As at 30 June 2019	5,731	6,944	12,675

Note: Transfer to credit-impaired was caused by the triggering event from the debtors such as default or the debtor encountering significant financial difficulty during the current interim period.

13. DEFERRED TAX ASSETS

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

	ECL provision RMB'000	Temporary difference arising from finance lease income RMB'000	Total RMB'000
At 1 January 2018 (audited)	2,285	2,121	4,406
Credit (charge) to profit or loss	416	(367)	49
At 30 June 2018 (unaudited)	2,701	1,754	4,455
Credit (charge) to profit or loss	123	(2)	121
As at 31 December 2018 (audited)	2,824	1,752	4,576
Credit (charge) to profit or loss	439	(432)	7
At 30 June 2019 (unaudited)	3,263	1,320	4,583

13. DEFERRED TAX ASSETS *(Continued)*

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 2019, 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 RMB55 million (31 December 2018: RMB47 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.

14. 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 in a pattern which is consistent with recognition of finance leasing services income over the lease period.

15. BANK BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Bank borrowings	**65,132**	30,065
Carrying amounts repayable*:		
Within one year and shown under current liabilities	**65,132**	30,065

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

During the current interim period, the Group obtained a new bank borrowing amounting to RMB35,000,000, carrying interest per annum at variable market rate of 161% of the benchmark rate offered by the People's Bank of China and repayable in instalments over one year.

As at 30 June 2019, the carrying amount of bank borrowings of RMB35,067,000 was guaranteed by Mr. Zhang Junshen, an executive director of the Company, Ms. Tang Yiping, the spouse of Mr. Zhang Junshen, and Shenzhen Ziyuanyuan Investment Holdings Limited, Shenzhen Zhuojunye Investment Limited and Shenzhen Suhao Investment Limited, of which companies controlled by the executive directors of the Company, and the carrying amount of RMB30,065,000 was guaranteed by Mr. Zhang Junshen, Mr. Zhang Shengjie, the father of the Controlling Individual Shareholders, Ms. Tang Yiping, and Shenzhen Ziyuanyuan Investment Holdings Limited, and secured by charges over certain finance lease receivable of the Group with the aggregate carrying value of RMB43,221,000.

16. SHARE CAPITAL

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

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2018	3,800	380
Increase in authorised capital (note i)	996,200	99,620
At 30 June 2018, 1 January 2019 and 30 June 2019	1,000,000	100,000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018	1,010	101
Issue of shares upon listing of the Company's shares on GEM of the Stock Exchange on 9 July 2018 (note ii)		
– Issue of new shares pursuant to the offering	100,000	10,000
– Capitalisation issue of shares	298,990	29,899
At 1 January 2019 and 30 June 2019	400,000	40,000

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Shown in the condensed consolidated statement of financial position	**33,839**	33,839

16. SHARE CAPITAL *(Continued)*

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 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.

(iii) All the shares issued during the reporting periods ranked *pari passu* in all respects with the then existing shares in issue.

17. RELATED PARTY DISCLOSURES

(a) 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other allowances	**2,026**	1,016
Retirement benefit scheme contributions	**77**	77
	2,103	1,093

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

(b) Guarantees from related parties in respect of bank borrowings

Guarantees from related parties in respect of bank borrowings are set out in note 15.

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 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 six months ended 30 June 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 506 SME customers in these three industries across 29 provinces, municipalities and autonomous regions in the PRC as at 30 June 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 was transforming its finance leasing business 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 six months ended 30 June 2019, the Group's revenue increased by approximately RMB3.8 million or approximately 12.8% to approximately RMB32.9 million (six months ended 30 June 2018: approximately RMB29.1 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 six months ended 30 June 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 RMB3.5 million for the six months ended 30 June 2018 to approximately RMB7.1 million for the six months ended 30 June 2019. Such increase was mainly attributable to the increase in the number of staff and staff salaries for existing staff during the period. The significant increase in the number of staff was mainly dealing with the operation of medical device industry and overseeing the corporate governance.

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 forward looking basis with the use of appropriate models and assumptions relate to the economic inputs and the future macroeconomic conditions.

For the six months ended 30 June 2019, an additional impairment loss of approximately RMB1.8 million (six months ended 30 June 2018: approximately RMB1.7 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 six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB3.6 million).

Other operating expenses

Other operating expenses include primarily sales and marketing expenses, depreciation of right-of-use assets and other expenses. Other operating expenses increased from approximately RMB4.9 million for the six months ended 30 June 2018 to approximately RMB7.5 million for the six months ended 30 June 2019. The increase was mainly due to an increase in (i) the legal and professional fee; (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; and (iii) staff costs recognised as research and development cost for developing the online platform for the finance leasing business for the six months ended 30 June 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 decreased from approximately RMB6.2 million for the six months ended 30 June 2018 to approximately RMB5.4 million for the six months ended 30 June 2019. The decrease was mainly due to the imputed interest expense on interest-free deposits from finance lease customers decreased from approximately RMB4.7 million for the six months ended 30 June 2018 to approximately RMB3.5 million for the six months ended 30 June 2019 as a result in the reduction in the amount of deposits from finance lease customers, which offsetting the interest on bank borrowing increased from approximately RMB1.1 million for the six months ended 30 June 2018 to approximately RMB1.7 million for the six months ended 30 June 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 six months ended 30 June 2019 and 2018, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB7.4 million and RMB6.0 million, respectively. The increase of profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 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

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 2019 (six months ended 30 June 2018: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the cash and cash equivalents were approximately RMB3.8 million (31 December 2018: approximately RMB25.0 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB146.0 million (31 December 2018: approximately RMB174.0 million) and approximately RMB290.8 million (31 December 2018: approximately RMB283.4 million), respectively.

As at 30 June 2019, the Group's bank borrowing with maturity within one year amounted to approximately RMB65.1 million (31 December 2018: RMB30.1 million).

As at 30 June 2019, the gearing ratio was approximately 18.3% (31 December 2018: 9.6%), which is calculated as bank borrowing divided by total equity plus bank borrowing. 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 2019, the Company's issued share capital was HK$40,000,000 and the number of its issued ordinary Shares was 400,000,000.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the six months ended 30 June 2019 were principally denominated in RMB, and most of the assets and liabilities as at 30 June 2019 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 2019.

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had no capital commitments (31 December 2018: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, the Group's finance lease receivables with an aggregate carrying value of approximately RMB43.2 million (31 December 2018: RMB57.3 million) 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 2019, 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 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

HUMAN RESOURCES

As at 30 June 2019, the Group had 69 employees (31 December 2018: 48 employees) with total staff cost of approximately RMB7.1 million incurred for the six months ended 30 June 2019 (30 June 2018: RMB3.5 million). The employees retirement benefit expense incurred during the six months ended 30 June 2019 was approximately RMB0.4 million (30 June 2018: RMB0.2 million). As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local government. The Group's remuneration policy rewards employees and Directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. We did not experience any material labour disputes during the six months ended 30 June 2019.

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 read "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	**Unused balance of the Actual Net Proceeds** HK$'000
Developing the Group's existing finance lease business in the PRC printing and logistics industries	40,402	40,402	–
Expanding the Group's business in these two industries in the northern and eastern parts of China	3,146	1,080	2,066
Exploring the new target industries for the Group's finance leasing business	1,003	330	673
General working capital	1,049	1,049	–
	45,600	42,861	2,739

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 30 June 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 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 30 June 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 30 June 2019, 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.

COMPETING INTEREST

During the six months ended 30 June 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 six months ended 30 June 2019 and 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 six months ended 30 June 2019 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 30 June 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 30 June 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 six months ended 30 June 2019 and up to date of this report.

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 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.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

Hong Kong, 9 August 2019

As at the date of this interim 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.