



**BUYANG INTERNATIONAL HOLDING INC**  
**步陽國際控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
Stock code: 2457

**Interim Report**  
**2023**



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# Company Introduction

## OVERVIEW

Buyang International Holding Inc (the “**Company**”, and together with its subsidiaries, the “**Group**,” “**we**,” “**us**” or “**our**”) is an aluminum alloy automobile wheel manufacturer focusing on the aftermarket which is the market for parts and accessories used in the repair or maintenance of an automobile who dedicate to providing customers with high quality aluminium alloy automobile wheels for aftermarket sales, to meet modification, repair and maintenance needs of the end users. We manufacture and sell different types of aluminum alloy automobile wheels to our customers. Our products comprise of a wide variety of aluminum alloy automobile wheels. We generally design and produce aluminum alloy automobile wheels with a wide variety of elements, including size, design and color pursuant to customers’ specific requirements and specifications. We also periodically offer our own designs to our customers based on our knowledge of contemporary market trends. Our products are used by a wide range of automobiles from subcompact and compact cars to full-size SUV and pickup truck. We maintain stable and long-term business with many customers in China and overseas countries and regions, providing high quality products that are widely appreciated by our customers.

Our manufacturing facility is located in Yongkang City, Jinhua City, Zhejiang Province, PRC, and is equipped with various production machines, including gravity casting machines, low pressure casting machines, CNC lathes, machining centers, pretreatment spray equipment, powder spray machines and liquid spray machines, creating a complete production line with strong production capacity of approximately million units of aluminum alloy automobile wheel per year.

# Company Information

## BOARD OF DIRECTORS

### Executive Directors

Ms. Xu Jingjun (*Deputy chairlady*)  
Mr. Ying Yonghui (*Chief executive officer*)  
Ms. Hu Huijuan

### Non-executive Directors

Mr. Xu Buyun (*Chairman*)  
Mr. Zhu Ning

### Independent Non-executive Directors

Mr. Fu Yi  
Mr. Yeung Man Simon  
Mr. Chen Jingeng

## AUDIT COMMITTEE

Mr. Yeung Man Simon (*Chairman*)  
Mr. Fu Yi  
Mr. Chen Jingeng

## REMUNERATION COMMITTEE

Mr. Chen Jingeng (*Chairman*)  
Ms. Xu Jingjun  
Mr. Fu Yi

## NOMINATION COMMITTEE

Mr. Xu Buyun (*Chairman*)  
Mr. Fu Yi  
Mr. Chen Jingeng

## JOINT COMPANY SECRETARIES

Ms. Xu Yuelian  
Ms. Cheung Yuet Fan (*FCG, HKFCG*)

## AUTHORIZED REPRESENTATIVES

Ms. Xu Jingjun  
Ms. Xu Yuelian

## AUDITORS

KPMG  
*Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance*  
8th Floor, Prince's Building  
10 Chater Road Central  
Hong Kong

## COMPLIANCE ADVISOR

Zhongtai International Capital Limited  
19F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

## HONG KONG LEGAL ADVISOR

King & Wood Mallesons  
13th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive, P.O. Box 2681  
Grand Cayman, KY1-1111, Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

8 Buyang Road  
Xicheng Jiedao  
Yongkang City  
Zhejiang Province, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICER

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive, P.O. Box 2681  
Grand Cayman KY1-1111, Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL BANK

Bank of China Limited, Yongkang Branch

## STOCK CODE

02457

## COMPANY'S WEBSITE

bywheel.com

## LISTING DATE

December 15, 2022

# Financial Summary

## RESULTS

	For the six months ended June 30,		
	2022	2023	Change
	(In RMB thousands)		
	Unaudited	Unaudited	
Revenue	205,106	161,708	(21.16)%
Gross Profit	39,720	24,903	(37.30)%
Profit before tax	33,953	22,478	(33.80)%
Income tax	(8,497)	(5,797)	(31.78)%
Profit for the period	25,456	16,681	(34.47)%
Total comprehensive income for the period	25,417	16,420	(35.40)%
<b>Earnings per share</b>			
— Basic and diluted (RMB)	0.03	0.02	(33.33)%

## ASSETS, LIABILITIES AND EQUITY

	At December 31,	At June 30,	Change
	2022	2023	
	(In RMB thousands)		
		Unaudited	
<b>Assets</b>			
Total assets	493,602	477,001	(3.36)%
<b>Equity and liabilities</b>			
Total equity	367,464	383,884	4.47%
Total liabilities	126,138	93,117	(26.18)%
Total equity and liabilities	493,602	477,001	(3.36)%

# Management Discussion and Analysis

## BUSINESS REVIEW

We are an aluminum alloy automobile wheel manufacturer focusing on the aftermarket which is the market for parts and accessories used in the repair or maintenance of an automobile. We manufacture and sell different types of aluminum alloy automobile wheels to our customers.

We are pleased to announce that for the six months ended June 30, 2023, we have achieved solid results and further expanded our overall competitive advantages.

For the six months ended June 30, 2023, we generated approximately RMB27.7 million, RMB112.1 million and RMB17.7 million of our total revenue from the sale of small, medium and large aluminum alloy automobile wheels, respectively, and sold over 428,400 aluminum alloy automobile wheels to the customers.

For the six months ended June 30, 2023, we generated 97.36% of our total revenue from the sales of aluminum alloy automobile wheels, approximately 33.85% and 63.51% of our total revenue from the sales of aluminum alloy automobile wheels to the domestic and overseas markets, respectively, and sold over 428,400 aluminum alloy automobile wheels to customers, of which approximately 262,300 were sold to the overseas markets.

During the six months ended June 30, 2023 (“**Reporting Period**”), our revenue decreased from approximately RMB205.1 million to approximately RMB161.7 million and our profit for the period decreased from RMB25.5 million to RMB16.7 million in the Reporting Period.

The following are the major business developments during the Reporting Period:

During the first half of 2023, as COVID-19 governance measures were relaxed, the government actively encouraged enterprises to expand into overseas markets. In line with this initiative, we embarked on customer visits to various countries including Dubai, Japan, Thailand, and Malaysia. Additionally, we participated in prominent exhibitions such as the “2023 Indonesia INAPA International Auto Parts Exhibition,” the “2023 UK (Birmingham) International Auto Parts and After-sales Service Exhibition,” and the “2023 133rd Canton Fair.”

Throughout the first half of 2023, we remained dedicated to the ongoing development and research of new products. As a result, we successfully developed a total of 196 new products during Reporting Period.

## PROSPECTS

In the second half of 2023, our focus will persist on expanding into new markets and acquiring new customers, while also maintaining proactive communication with our existing customers. With a strong sense of confidence in our management, we are optimistic about the future growth prospects of our business.

Notwithstanding the uncertainties in the industry and the overall competitive business environment, the Group will continue to be committed to implementing the business strategies.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by 21.16% from approximately RMB205.1 million for the six months ended June 30, 2022 to approximately RMB161.7 million for the six months ended June 30, 2023.

This decrease is mainly due to (i) the slowdown in global economic growth for the six months ended June 30, 2023, (ii) the decline in demand in certain markets and (iii) the fierce price competition among foreign trade companies.

### *Sales volume of aluminum alloy automobile wheel*

Our total revenue from the sale of aluminum alloy automobile wheels decreased by 21.77% from approximately RMB201.2 million for the six months ended June 30, 2022 to approximately RMB157.4 million for the six months ended June 30, 2023. This decrease is mainly due to (i) the slowdown in global economic growth for the six months ended June 30, 2023, (ii) the decline in demand in certain markets and (iii) the fierce price competition among foreign trade companies.

### *Sales of other products*

Our total revenue from the sale of other products increased by 10.26% from approximately RMB3.9 million for the six months ended June 30, 2022 to approximately RMB4.3 million for the six months ended June 30, 2023.

### *Sales by geographic market*

The majority of our revenue is generated from overseas markets. During the Reporting Period, revenue from sales in overseas markets accounted for 63.51% of total revenue. Revenue from sales in overseas markets decreased by 7.17% from approximately RMB110.6 million for the six months ended June 30, 2022 to approximately RMB102.7 million for the six months ended June 30, 2023. Our revenue from Asia decreased by 27.00% from approximately RMB122.2 million for the six months ended June 30, 2022 to approximately RMB89.2 million for the six months ended June 30, 2023. Our revenue from America decreased by 27.76% from approximately RMB54.4 million for the six months ended June 30, 2022 to approximately RMB39.3 million for the six months ended June 30, 2023. Our revenue from Europe increased by 12.15% from approximately RMB24.7 million for the six months ended June 30, 2022 to approximately RMB27.7 million for the six months ended June 30, 2023. Our revenue from Africa increased by 34.48% from approximately RMB2.9 million for the six months ended June 30, 2022 to approximately RMB3.9 million for the six months ended June 30, 2023. Our revenue from Oceania increased by 77.78% from approximately RMB0.9 million for the six months ended June 30, 2022 to approximately RMB1.6 million for the six months ended June 30, 2023.

### Cost of Sales

Our cost of sales decreased by 17.29% from approximately RMB165.4 million for the six months ended June 30, 2022 to approximately RMB136.8 million for the six months ended June 30, 2023, which is in line with the decrease in revenue.

### Gross Profit and Gross Profit Margin

Our gross profit decreased by 37.28% from approximately RMB39.7 million for the six months ended June 30, 2022 to approximately RMB24.9 million for the six months ended June 30, 2023, primarily due to the decrease of revenue and the decrease of the gross profit margin.

Our gross profit margin was approximately 15.40% for the six months ended June 30, 2023, representing a decrease as compared to gross profit margin of approximately 19.37% for the six months ended June 30, 2022, mainly because (i) the decrease in the cost of aluminum alloy ingot, which is our principal raw material, has led to a corresponding decline in the selling price of our products, which exceeded the reduction in cost of raw material; and (ii) the increase of the sales volume of small-sized wheels which recorded the lower gross profit margin.

# Management Discussion and Analysis

## Other Revenue

Our other revenue consisted of government grants. Such government grants included financial subsidies related to various aspects of our operations, which were granted by local government authorities in the PRC.

Our other revenue increased by 522.22% from approximately RMB0.9 million for the six months ended June 30, 2022 to approximately RMB5.6 million for the six months ended June 30, 2023, primarily due to the listing subsidy of RMB5.0 million received by the Group from the government.

## Other Net Gain

We had other net gain of approximately RMB3.0 million for the six months ended June 30, 2023, as compared to other net gain of approximately RMB3.9 million for the same period in 2022. Our other net gain primarily included net exchange gain, which were primarily attributable to translation of our trade and other receivables and cash at bank denominated in U.S. dollar into RMB.

## Selling and Distribution Expenses

Our selling and distribution expenses increased by 16.22% from approximately RMB3.7 million for the six months ended June 30, 2022 to approximately RMB4.3 million for the six months ended June 30, 2023, primarily due to the increase in sales personnel's travel expenses and exhibition and advertisement fee, following the relaxation of the governance of COVID-19 for the six months ended June 30, 2023.

## Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 57.63% from approximately RMB5.9 million for the six months ended June 30, 2022 to approximately RMB9.3 million for the six months ended June 30, 2023, primarily due to the establishment of new research and development department by the Group in April 2023. The department is responsible for research and development of new products, product improvements, and the optimization of production processes and technologies. Presently, the department is prioritizing aluminum alloy automobile wheel lightweighting and production line mechanization. As of June 30, 2023, the Group successfully completed its first research and development project, which focused on the research and development of intelligent conveyor lines for high-strength aluminum alloy automobile wheels and the corresponding processing technologies.

## Net Finance Income/Costs

The Group had net finance income of approximately RMB3.2 million for the six months ended June 30, 2023, compared with net finance costs of approximately RMB0.1 million for the same period last year.

Our finance income increased from approximately RMB0.7 million for the six months ended June 30, 2022 to approximately RMB3.4 million for the six months ended June 30, 2023, which was mainly due to the increase in bank balance and interest income as a result of receiving the proceeds from the Listing on December 15, 2022.

Our finance costs decreased from approximately RMB0.8 million for the six months ended June 30, 2022 to approximately RMB0.2 million for the six months ended June 30, 2023.

## Profit Before Tax

As a result of the foregoing, our profit before tax for the six months ended June 30, 2023 amounted to approximately RMB22.5 million, representing a decrease of 33.82% as compared to approximately RMB34.0 million for the same period in 2022.

## Income Tax

Our income tax decreased by 31.76% from approximately RMB8.5 million for the six months ended June 30, 2022 to approximately RMB5.8 million for the six months ended June 30, 2023, primarily due to the decrease in profit before tax. Our effective tax rate remains stable at 25.03% and 25.79% for the six months ended June 30, 2022 and 2023, respectively.



# Management Discussion and Analysis

## Profit for the Period

Based on the above, our profit for the period decreased by 34.51% from approximately RMB25.5 million for the six months ended June 30, 2022 to approximately RMB16.7 million for the six months ended June 30, 2023 and our net profit margin for the period decreased from 12.41% for the six months ended June 30, 2022 to 10.32% for the six months ended June 30, 2023.

## LIQUIDITY AND FINANCIAL RESOURCES

### Financial Position

Our total assets decreased by 3.36% from approximately RMB493.6 million as of December 31, 2022 to approximately RMB477.0 million as of June 30, 2023, mainly due to the decrease in trade and other receivables as a result of the decrease in revenue. Total liabilities decreased by 26.17% from approximately RMB126.1 million as of December 31, 2022 to approximately RMB93.1 million as of June 30, 2023, primarily due to the decrease of trade and other payables as a result of the decrease in cost of sales.

As at June 30, 2023, current assets amounted to approximately RMB361.9 million, representing a decrease of 14.22% from approximately RMB421.9 million as at December 31, 2022. Of which, inventories were approximately RMB66.2 million (December 31, 2022: RMB57.8 million); trade and other receivables were approximately RMB74.5 million (December 31, 2022: RMB77.7 million); pledged deposits were approximately RMB10.9 million (December 31, 2022: RMB15.7 million). Current liabilities amounted to approximately RMB85.0 million (December 31, 2022: RMB117.3 million); trade and other payables amounted to approximately RMB74.7 million (December 31, 2022: RMB106.0 million); contract liabilities amounted to approximately RMB5.8 million (December 31, 2022: RMB7.9 million); lease liabilities of approximately RMB0.5 million (December 31, 2022: RMB0.4 million); and current taxation of approximately RMB4.0 million (December 31, 2022: RMB2.9 million). Non-current liabilities amounted to approximately RMB8.1 million (December 31, 2022: RMB8.9 million).

### Cash and Cash Equivalents

The Group continued to maintain a strong financial position. As of June 30, 2023, our cash and cash equivalents amounted to approximately RMB210.3 million, representing a decrease of 22.31% from approximately RMB270.7 million as of December 31, 2022.

### Funding and Treasury Policy

The Group's funding and finance policy aims to maintain stable financial position and mitigate financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

### Borrowings

As of June 30, 2023, the Group had no bank loans (RMB0 million as of December 31, 2022). As of June 30, 2023, the Group had lease liabilities of RMB6.9 million (RMB7.6 million at December 31, 2022).

### Gearing Ratio

The Group's gearing ratio (which equals total debt (including bank loans and lease liabilities) divided by total equity) decreased from 2.1% as of December 31, 2022 to 1.8% as of June 30, 2023.

### Capital structure

As at the date of this report, the issued share capital of the Company was US\$1.0 million, comprising 1,000,000,000 Shares of nominal value of US\$0.001 per Share.

# Management Discussion and Analysis

## Working Capital

The Group's inventories amounted to approximately RMB66.2 million as of June 30, 2023 as compared to approximately RMB57.8 million as of December 31, 2022. Our inventory turnover days were 82 days for the six months ended June 30, 2023, as compared to 74 days for the six months ended June 30, 2022, the increase was mainly due to the slowdown of the global economic growth from January to June 2023, marked by a decline in market demand and intensified competition, which led to a decrease in domestic sales of aluminum alloy automobile wheels, while the production volume increased when compared with the same period last year. This has led to an extended inventory turnover cycle. The Group's trade and bills receivables turnover days remained relatively stable at 83 days for the six months ended June 30, 2023, as compared to 77 days for the same period in 2022. The Group's trade and bills payables turnover days were 78 days for the six months ended June 30, 2023, as compared to 55 days for the same period in 2022, the increase was primarily attributed to the gradual shift in payment terms for procurement from prepayment settlement to cash-on-delivery.

## Capital Expenditures

Our capital expenditures for the six months ended June 30, 2023 amounted to RMB7.3 million (RMB3.6 million for the six months ended June 30, 2022), the increase was primarily due to the increase in payment for procurement as a result of the upgrade of production equipment.

## Capital Commitments

As of June 30, 2023, our capital commitments for purchase of property, plant and equipment amounted to approximately RMB3.0 million (RMB0.02 million at December 31, 2022).

In addition, in connection with the prospectus of the Company dated November 29, 2022 (the "**Prospectus**"), we intend to (i) expand our production capacity in 2023, including the acquisition of new equipment for the production of aluminium alloy steam turbines, for a total of approximately HK\$42.8 million; (ii) construct new production plants, warehouses and other ancillary facilities on potential sites to be acquired to complement our expanded production capacity, for a total of approximately HK\$27.2 million; and (iii) design, develop and test our new moulds and prototypes for a total of approximately HK\$5.1 million. Each of these plans will constitute a capital commitment on our part. We expect to fund these capital expenditures with cash from operations, bank and other loans and proceeds from the Global Offering (as defined in the Prospectus).

## Pledge of Assets

During the Reporting Period, certain assets of the Group were pledged as below:

	<b>At June 30, 2023</b>	At December 31, 2022
	<b>RMB in thousands</b>	
Pledged deposits	<b>10,855</b>	15,690

As of June 30, 2023, the Group had pledged deposits of approximately RMB10.9 million (approximately RMB15.7 million at December 31, 2022) for the issuance of bank acceptance bills, which will be released upon settlement of the relevant bank acceptance bills by the Group.

## Contingent Liabilities

During the Reporting Period, we did not have any material contingent liabilities.

# Management Discussion and Analysis

## SIGNIFICANT INVESTMENTS HELD

For the Reporting Period, the Group did not hold any significant investments.

## MATERIAL ACQUISITIONS, DISPOSALS AND FUTURE PLANS FOR MAJOR INVESTMENTS

During the Reporting Period, the Group did not have material acquisitions or disposals of subsidiaries or associates.

During the Reporting Period, there was no plan for major investments.

## RISK FACTORS AND RISK MANAGEMENT

We are exposed to various types of financial risk in the ordinary course of business, including market risk (consisting of currency risk and interest rate risk), credit risk and liquidity risk.

### 1. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risks are primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, time deposits, pledged deposits and bills receivable is limited because the counterparties are banks, for which the Group considers its credit risk to be low. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Our exposure to credit risks is influenced mainly by the individual characteristics of each customer or debtor rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers or debtors. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are mostly due from the date of revenue recognition. Normally, we do not obtain collateral from customers.

In respect of trade receivables, we measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses ("ECLs"), which is calculated using a provision matrix and individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. For the provision matrix method, as our historical credit loss experience do not indicate significantly different loss patterns for different customer segments, the loss allowance based on ageing information which is analyzed based on the date of revenue recognition is not further distinguished between our different customer bases.

### 2. Liquidity Risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

### 3. Interest Rate Risk

The Group's interest-bearing financial instruments at variable rates are the cash at bank as at the relevant period. The cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates is lease liabilities as at June 30, 2023 that is measured at amortized cost, and the change of market interest rate does not materially expose the Group to fair value interest risk. Overall speaking, the Group's exposure to interest rate risk is not significant.

# Management Discussion and Analysis

## 4. Currency Risk

The Group is exposed to currency risk primarily through sales which give rise to receivables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars.

## HUMAN RESOURCES AND REMUNERATION POLICY

The number of employees of the Group was 484 as of June 30, 2023 (528 at June 30, 2022). The total staff costs for the Reporting Period was approximately RMB21.5 million as compared to RMB22.1 million for the six months ended June 30, 2022, the decrease was primarily attributable to the decrease in headcount as a result of the Group's efforts in energy conservation and efficiency enhancement, as well as the implementation of automated production processes. We did not incur equity settled share-based expenses during the Reporting Period.

To promote employees' knowledge and technical expertise, the Group offers training programmes to employees from time to time according to their job duties. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the board (the "**Board**") of directors (the "**Directors**") of the Company from time to time. In addition to basic remuneration, the Group also makes contributions to mandatory social security funds for the benefit of the PRC employees that provide for retirement insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds.

## Corporate Governance and Other Information

### DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2023, the interests of each Director in the shares, underlying shares (collectively, the “**Shares**”) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which were taken or deemed to have under such provisions of the SFO), (ii) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) are as follows:

#### (i) Interest in our Company

Director	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding
Xu Buyun	Interest in controlled corporation <sup>(2)</sup>	750,000,000 (L)	75%

Note:

(1) (L) means long position.

(2) These 750,000,000 shares are held by First Oriental Limited, which is indirectly owned as to 70.0% by Xu Buyun. Accordingly, under the SFO, Xu Buyun is deemed to be interested in all the shares held by First Oriental Limited.

#### (ii) Interests in Associated Corporations

Director	Name of associated corporation/ subsidiary company	Nature of interest <sup>(1)</sup>	Number of Shares in/ registered capital of the associated corporation <sup>(1)</sup>	Approximate percentage of shareholding
Xu Buyun	First Oriental Limited <sup>(2)</sup>	Interest in controlled corporation	50,000 shares (L)	100%
	TopSun Investment Holding Company Limited <sup>(2)</sup>	Beneficial owner	35,000 shares (L)	100%
		Interest of spouse	15,000 shares (L)	

Notes:

(1) (L) means long position.

(2) First Oriental Limited is interested in 75% of the issued Shares and is wholly owned by TopSun Investment Holding Company Limited and, accordingly, First Oriental Limited and TopSun Investment Holding Company Limited are the holding companies (as defined in the SFO) of the Company respectively.

(3) 15,000 shares of TopSun Investment Holding Company Limited are held by Chen Jianguye, the spouse of Xu Buyun. Accordingly, Xu Buyun is deemed to be interested in all the shares held by Chen Jianguye under the SFO.

## Corporate Governance and Other Information

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at June 30, 2023, to the best knowledge of the Directors, the following persons (other than the Directors or the chief executive of the Company) have interests in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO or which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Nature of interest	Number of shares <sup>(1)</sup>	Approximate percentage of shareholding
Chen Jiangyue	Interest of spouse <sup>(3)</sup>	750,000,000 (L)	75%
TopSun Investment Holding Company Limited <sup>(4)</sup>	Interest in controlled corporations <sup>(2)</sup>	750,000,000 (L)	75%
First Oriental Limited <sup>(4)</sup>	Beneficial owner	750,000,000 (L)	75%
Hu Zhong Huai	Interest in controlled corporations <sup>(5)</sup>	60,000,000 (L)	6%
Arda (HK) Investment Co., Limited	Beneficial owner	60,000,000 (L)	6%

Notes:

- (1) (L) means long position.
- (2) The entire equity interest of First Oriental Limited is held by TopSun Investment Holding Company Limited, which in turn is owned as to 70% by Xu Buyun and 30% by Chen Jiangyue. Accordingly, Xu Buyun and TopSun Investment Holding Company Limited are deemed to be interested in all the shares held by First Oriental Limited respectively under the SFO.
- (3) Chen Jiangyue is the spouse of Xu Buyun. Accordingly, Chen Jiangyue is deemed to be interested in all the shares in which Xu Buyun is interested under the SFO.
- (4) Xu Buyun, the chairman and non-executive Director of the Company, is a director of TopSun Investment Holding Company Limited and First Oriental Limited.
- (5) The entire equity interest of Arda (HK) Investment Co., Limited is held by Hu Zhong Huai. Accordingly, Hu Zhong Huai is deemed to be interested in all the shares held by Arda (HK) Investment Co., Limited under the SFO.

Save as disclosed above, as at the date of this report, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

# Corporate Governance and Other Information

## SHARE OPTION SCHEME

The Share Option Scheme was adopted by a written resolution of the Shareholders passed on November 18, 2022. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

The Share Option Scheme is a share award scheme for the purpose of recognizing and rewarding Eligible Participants (as defined below) for the contributions they have made or may have made to the Group. The Share Option Scheme will provide an opportunity for Eligible Participants to have a personal interest in the Company for the purpose of (i) providing incentives for Eligible Participants to optimize their performance efficiency for the benefit of the Group; and (ii) attracting and retaining Eligible Participants or otherwise maintaining an ongoing business relationship with Eligible Participants whose contributions have been or will be beneficial to the long-term development of the Group.

The Board may, at its sole discretion, grant options to the following persons (“**Eligible Participants**”), for the number of New Shares to be determined by the Board: (i) any full-time or part-time employee, executive or officer of the Company or any of its subsidiaries; (ii) any Director (including non-executive directors and independent non-executive Directors) of the Company or any of its subsidiaries; (iii) any advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries; and (iv) other persons who, in the sole discretion of the Board, will contribute or have contributed to the Group, the assessment criteria are: (aa) contribution to the development and performance of the Group; (bb) quality of work performed for the Group; (cc) performance initiative and commitment to responsibilities; and (dd) length of service or contribution to the Group.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company (including shares in respect of which options have been granted, whether exercised or outstanding) shall not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date, being 100,000,000 shares (the “**Scheme Limit**”), excluding for this purpose the maximum number of shares in respect of which options may be granted under the Share Option Scheme (or any other share option scheme of the Company) which has lapsed. The Share Option Scheme limit represents 10% of the total number of shares of the Company in issue as at the date of this Report.

The total number of shares in issue and issuable upon exercise of options granted to each eligible participant under the Share Option Scheme and any other share option scheme of the Company during any 12-month period up to the date of grant (including exercised and outstanding options and shares subject to options granted and accepted under the Share Option Scheme and any other share option scheme of the Company but subsequently cancelled) shall not exceed 1% of the shares in issue as at the date of grant.

Options may be exercised in accordance with the terms of the Share Option Scheme at any time after the date on which the options are deemed to have been granted and accepted and before the expiry of ten years from that date. The exercise period of the options will be determined by the Board at its sole discretion, but shall not exceed ten years from the date of grant of the options. Any option granted under the Share Option Scheme may be exercised by the grantee subject to the achievement of certain performance targets as may be specified by the Board for the time being. No share option may be granted more than ten years after the Listing Date. Unless terminated earlier by the Company in general meeting or by the Board, the Share Option Scheme shall be effective and valid for a period of ten years from the Listing Date.

The exercise price of the shares in respect of any particular share option granted under the Share Option Scheme will be determined at the sole discretion of the Board, provided that such price will not be lower than the highest of (i) the closing price of the shares as quoted on the Stock Exchange’s daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for trading in securities; (ii) the average closing price of the shares as quoted on the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares. Acceptance of an offer to grant an option must take place within seven days from and including the date on which such offer is made. The options shall be deemed to have been granted and accepted by the grantee and become effective upon receipt by the Company on or before the relevant acceptance date of the documents constituting the acceptance of the options duly signed by the Grantee together with a remittance of HK\$1.00 in favour of the Company as the consideration for the grant of the Options.

Details of the principal terms of the Share Option Scheme are set out in the section headed “Appendix IV – Statutory and General Information” of the Prospectus. As at the date of this Report, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme is 100,000,000, representing 10% of the issued shares of the Company. No share options have been granted, exercised, outstanding, cancelled or lapsed since the date of adoption of the Share Option Scheme.

# Corporate Governance and Other Information

## USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's shares were listed on the Main Board of the Stock Exchange on December 15, 2022 (the "Listing Date"). The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering of approximately HK\$75.1 million (the "Net Proceeds").

The Company has used the proceeds of HK\$2.2 million to purchase new equipment.

As stated in the Prospectus, the intended uses and the balance of the Net Proceeds are set out below:

Planned use of net proceeds as stated in the Prospectus	Percentage of total Net Proceeds %	Net Proceeds from the Global Offering HK' million	Amount of Net Proceeds utilized up to June 30, 2023 HK' million	Balance of Net Proceeds unutilized at June 30, 2023 HK' million	Expected timeline of utilisation
Expansion of our production capacity	57.0	42.8	2.2	40.6	On or before November 2024
Construction of a new manufacturing facility, warehouse and other supporting facilities	36.2	27.2	—	27.2	On or before November 2024
Design, development and testing of our new molds and prototypes	6.8	5.1	—	5.1	On or before November 2024
	100.0	75.1	2.2	72.9	

The unutilized Net Proceeds are primarily placed in licensed banks in PRC and Hong Kong as at the date of this report. The Group intends to utilize the Net Proceeds in accordance with the planned purposes and timelines as set out in the Prospectus.

## INTERIM DIVIDEND

The board of directors of the Company has resolved not to declare an interim dividend in respect of the six months ended June 30, 2023.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Corporate Governance Code did not apply to the Company prior to the Listing Date. From the Listing Date up to the date of this report, the Company has complied with all applicable code provisions under Part 2 of the CG Code and adopted most of the best practices contained therein.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code during the period from January 1, 2023 and up to the date of this report. There has been no non-compliance with the required standard set out in the Model Code from January 1, 2023 to the date of this report.



## Corporate Governance and Other Information

### **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES**

During the period from January 1, 2023 and up to the date of this report, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

### **CHANGES TO DIRECTORS' INFORMATION**

There is no change to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **PUBLIC FLOAT**

According to the public information obtained by the Company and the best knowledge of the Directors, from the Listing Date to the date of this report, the public holds no less than 25% of the issued share capital of the Company, which complies with the requirements of the Stock Exchange and the Listing Rules.

### **EVENT AFTER THE REPORTING PERIOD**

As at the date of this report, the Group has no important events which occurred after the end of the Reporting Period that are required to be disclosed.

### **AUDIT COMMITTEE**

The Board has established the Audit Committee, which comprises three independent non-executive Directors, namely, Mr. Yeung Man Simon (Chairman), Mr. Fu Yi and Mr. Chen Jingeng. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including a review of the interim financial information for the six months ended June 30, 2023. The Audit Committee has also reviewed this interim report.

### **INDEPENDENT REVIEW OF AUDITOR**

The interim financial report for the six months ended June 30, 2023 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements No. 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to the Company's equity shareholders (the "**Shareholders**").

# Independent Review Report



## Review report to the board of directors of Buyang International Holding Inc

(Incorporated in the Cayman Islands with limited liability)

### INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 36 which comprises the consolidated statement of financial position of Buyang International Holding Inc as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*.

### KPMG

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

25 August 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2023 — unaudited

(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
<b>Revenue</b>	3	<b>161,708</b>	205,106
Cost of sales		<b>(136,805)</b>	(165,386)
<b>Gross profit</b>		<b>24,903</b>	39,720
Other revenue	4(a)	<b>5,630</b>	898
Other net gain	4(b)	<b>3,020</b>	3,890
Selling and distribution expenses		<b>(4,324)</b>	(3,681)
Administrative and other operating expenses		<b>(9,294)</b>	(5,926)
Impairment loss on trade receivables		<b>(652)</b>	(875)
<b>Profit from operations</b>		<b>19,283</b>	34,026
Finance income		<b>3,399</b>	723
Finance costs		<b>(204)</b>	(796)
<b>Net finance income/(costs)</b>	5(a)	<b>3,195</b>	(73)
<b>Profit before taxation</b>	5	<b>22,478</b>	33,953
Income tax	6	<b>(5,797)</b>	(8,497)
<b>Profit for the period</b>		<b>16,681</b>	25,456

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
<b>Profit for the period</b>		<b>16,681</b>	25,456
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference on translation of financial statements of the Company		3,122	4,323
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of entities outside mainland China		(3,383)	(4,362)
<b>Other comprehensive income for the period</b>		<b>(261)</b>	(39)
<b>Total comprehensive income for the period</b>		<b>16,420</b>	25,417
<b>Earnings per share</b>			
Basic and diluted (RMB)	7	0.02	0.03

The notes on pages 24 to 36 form part of this interim financial report.

# Consolidated Statement of Financial Position

at 30 June 2023 — unaudited

(Expressed in RMB)

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	48,355	53,141
Right-of-use assets		16,312	16,677
Intangible assets		132	198
Prepayments		3,653	32
Deferred tax assets		1,862	1,647
Time deposits	11(a)	30,000	—
Amounts due from a related party	15(c)	14,752	—
		<b>115,066</b>	71,695
<b>Current assets</b>			
Inventories	9	66,200	57,762
Trade and other receivables	10	74,543	77,727
Pledged deposits	11(b)	10,855	15,690
Cash and cash equivalents	11(c)	210,337	270,728
		<b>361,935</b>	421,907
<b>Current liabilities</b>			
Trade and other payables	12	74,694	106,013
Contract liabilities		5,844	7,881
Lease liabilities		458	445
Current taxation		4,040	2,931
		<b>85,036</b>	117,270
<b>Net current assets</b>		<b>276,899</b>	304,637
<b>Total assets less current liabilities</b>		<b>391,965</b>	376,332



# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2023 — unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company						
	Share capital	Share premium	Capital reserve	The People's Republic of China (the "PRC") statutory reserve	Exchange reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2022</b>	1,057	104,999	(45,000)	20,414	(4,523)	137,473	214,420
<b>Changes in equity for the six months ended 30 June 2022:</b>							
Profit for the period	—	—	—	—	—	25,456	25,456
Other comprehensive income for the period	—	—	—	—	(39)	—	(39)
Total comprehensive income	—	—	—	—	(39)	25,456	25,417
<b>Balance at 30 June 2022 and 1 July 2022</b>	1,057	104,999	(45,000)	20,414	(4,562)	162,929	239,837
<b>Changes in equity for the six months ended 31 December 2022:</b>							
Profit for the period	—	—	—	—	—	28,528	28,528
Other comprehensive income for the period	—	—	—	—	123	—	123
Total comprehensive income	—	—	—	—	123	28,528	28,651
Issue of ordinary shares by capitalisation of balance due to related party	14	1,267	—	—	—	—	1,281
Capitalisation issue	4,147	(4,147)	—	—	—	—	—
Issue of ordinary shares upon initial public offering, net of issuing costs	1,734	95,961	—	—	—	—	97,695
Appropriation of statutory reserve	—	—	—	5,376	—	(5,376)	—
<b>Balance at 31 December 2022</b>	6,952	198,080	(45,000)	25,790	(4,439)	186,081	367,464
<b>Balance at 1 January 2023</b>	6,952	198,080	(45,000)	25,790	(4,439)	186,081	367,464
<b>Changes in equity for the six months ended 30 June 2023:</b>							
Profit for the period	—	—	—	—	—	16,681	16,681
Other comprehensive income for the period	—	—	—	—	(261)	—	(261)
Total comprehensive income	—	—	—	—	(261)	16,681	16,420
<b>Balance at 30 June 2023</b>	6,952	198,080	(45,000)	25,790	(4,700)	202,762	383,884

The notes on pages 24 to 36 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2023 – unaudited

(Expressed in RMB)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
<b>Operating activities</b>			
Cash (used in)/generated from operations		(9,383)	51,312
PRC corporate income tax paid		(4,903)	(5,645)
<b>Net cash (used in)/generated from operating activities</b>		<b>(14,286)</b>	45,667
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment and intangible assets		(7,145)	(4,405)
Payment for purchase of land use rights		—	(317)
Payment for a loan to related party		(14,117)	—
Payment for purchase of time deposits		(30,000)	—
Proceeds from disposal of property, plant and equipment		737	—
Interest received		3,270	723
<b>Net cash used in investing activities</b>		<b>(47,255)</b>	(3,999)
<b>Financing activities</b>			
Interest paid		—	(583)
Payment for listing expenses		(814)	(651)
Capital element of lease rentals paid		(444)	(419)
Interest element of lease rentals paid		(413)	(438)
<b>Net cash used in financing activities</b>		<b>(1,671)</b>	(2,091)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(63,212)</b>	39,577
<b>Cash and cash equivalents at 1 January</b>		<b>270,728</b>	72,206
<b>Effect of foreign exchange rate changes</b>		<b>2,821</b>	1,273
<b>Cash and cash equivalents at 30 June</b>	11(c)	<b>210,337</b>	113,056

The notes on pages 24 to 36 form part of this interim financial report.



# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 1 BASIS OF PREPARATION

Buyang International Holding Inc (the “**Company**”) was incorporated in the Cayman Islands on 14 November 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 December 2022 (the “**Listing**”). The Company and its subsidiaries (together referred to as the “**Group**”) is principally engaged in the development, manufacturing and sales of a broad range of aluminium alloy wheels for automobiles.

The interim financial report of the Company as at and for the six months ended 30 June 2023 comprises the Group. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 25 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 25 August 2023. The interim financial report has also been reviewed by KPMG 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 HKICPA. KPMG’s independent review report to the Board of Directors is included on page 17.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, Insurance contracts
- Amendments to HKAS 8, Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to HKAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a single transaction
- Amendments to HKAS 12, Income Taxes: International Tax Reform — Pillar Two Model Rules

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 REVENUE AND SEGMENT REPORTING

### (a) Revenue

The Group is principally engaged in the manufacturing and sales of a broad range of aluminium alloy wheels for automobiles. The Group's revenue from contracts with customers were recognised at point in time for the reporting period.

### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Sales of aluminium alloy wheels	157,434	201,215
Sales of others	4,274	3,891
	<b>161,708</b>	205,106

Disaggregation of revenue from contracts with customers by continent of delivery is disclosed in Note 3(b)(i).

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

### (a) Revenue (Continued)

(ii) *The Group's customers with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2023 and 2022 are set out below:*

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Customer A	<b>19,890</b>	*

\* Transactions with this customer did not exceed 10% of the Group's revenue for the six months ended 30 June 2022.

(iii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

For sales contracts of goods with original expected duration of less than one year, the Group has elected not to disclose information about the remaining performance obligations.

### (b) Segment reporting

The Group manages its businesses by divisions, which are organised by geography. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no segment information is presented.

#### **Geographical information**

(i) *Revenue from external customers by continent of delivery*

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Asia	<b>89,247</b>	122,237
Europe	<b>27,683</b>	24,667
America	<b>39,295</b>	54,439
Africa	<b>3,863</b>	2,878
Oceania	<b>1,620</b>	885
	<b>161,708</b>	205,106

(ii) *Non-current assets*

The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the assets is provided.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 4 OTHER REVENUE AND OTHER NET GAIN

### (a) Other revenue

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Government grants	5,630	898

### (b) Other net gain

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Net loss on disposal of property, plant and equipment	(1,071)	(1)
Net foreign exchange gain	4,091	3,891
	3,020	3,890

## 5 PROFIT BEFORE TAXATION

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

### (a) Net finance (income)/costs

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest income on bank deposits	(3,270)	(723)
Interest income on a loan to related party	(129)	—
Interest expense on bank loans	—	580
Interest expense on lease liabilities	204	216
Net finance (income)/costs	(3,195)	73

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 5 PROFIT BEFORE TAXATION (Continued)

### (b) Staff costs

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Salaries and other benefits	20,804	21,325
Contributions to defined contribution scheme (Note)	660	802
	<b>21,464</b>	<b>22,127</b>

Note: The Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated based on certain percentages of the prevailing average salary as agreed by the local municipal government to the schemes to fund the retirement benefits of the employees. The Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

### (c) Other items

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Cost of inventories* (Note 9(b))	136,805	165,386
Depreciation		
— Property, plant and equipment	6,336	8,148
— Right-of-use assets	320	416
Amortisation of intangible assets	66	58
Impairment loss on trade and other receivables	652	875
Research and development costs (included in administrative and other operating expenses)	3,750	—
Listing expenses	—	1,533

\* Cost of inventories include RMB22,610,000 relating to staff costs and depreciation expenses for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB26,559,000), which amounts are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 6 INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Current tax</b>		
PRC corporate income tax	6,012	9,026
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(215)	(529)
	<b>5,797</b>	<b>8,497</b>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The applicable profits tax rate of the Group's subsidiary incorporated in Hong Kong was 16.5%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).
- (iii) The Group's PRC subsidiary is subject to PRC income tax at 25%.

## 7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB16,681,000 (six months ended 30 June 2022: RMB25,456,000) and the weighted average of 1,000,000,000 ordinary shares (six months ended 30 June 2022: 748,000,000 ordinary shares) in issue during the interim period.

### Weighted average number of ordinary shares

	2023	2022
Issued ordinary shares at the 1 January	1,000,000,000	150,000,000
Effect of capitalisation issue	—	598,000,000
Weighted average number of ordinary shares at 30 June	<b>1,000,000,000</b>	<b>748,000,000</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 7 EARNINGS PER SHARE (Continued)

The number of ordinary shares outstanding before the capitalisation issue completed on 15 December 2022 were retrospectively adjusted to reflect the impact of the capitalisation issue, as if the capitalisation issue had occurred at the beginning of the six months ended 30 June 2022.

There were no dilutive potential shares outstanding for the six months ended 30 June 2023 and 2022 and therefore the diluted earnings per share are same as the basic earnings per share.

## 8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of machinery equipment, moulds, electronic and other equipment with a cost of RMB3,669,000 (six months ended 30 June 2022: RMB3,542,000).

Items of machinery equipment, electronic and other equipment, motor vehicles with a net book value of RMB1,724,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB1,000), resulting in a loss on disposal of RMB1,071,000 (six months ended 30 June 2022: RMB1,000).

## 9 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Raw materials	<b>8,983</b>	8,891
Work in progress	<b>9,563</b>	11,844
Finished goods	<b>48,353</b>	37,447
Others	<b>275</b>	260
	<b>67,174</b>	58,442
Write-down of inventories	<b>(974)</b>	(680)
	<b>66,200</b>	57,762

(b) The analysis of the amount of inventories recognised as expenses and included in profit or loss are as follows:

	<b>Six months ended 30 June</b>	
	<b>2023 RMB'000</b>	2022 RMB'000
Carrying amount of inventories sold	<b>136,511</b>	165,323
Write-down of inventories	<b>294</b>	63
	<b>136,805</b>	165,386

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 10 TRADE AND OTHER RECEIVABLES

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables			
— Third parties		<b>72,889</b>	79,502
Bills receivable		<b>3,029</b>	820
Less: Loss allowance for trade and bills receivable		<b>(3,434)</b>	(2,782)
		<b>72,484</b>	77,540
Amounts due from related party, net of loss allowance	15(c)(i)	<b>123</b>	—
Financial assets measured at amortised cost		<b>72,607</b>	77,540
Value-added tax recoverable and others		<b>315</b>	64
Prepayment		<b>1,621</b>	123
		<b>74,543</b>	77,727

### Ageing analysis of trade and bills receivables

As at the end of each reporting period, the ageing analysis of trade and bills receivables based on the date of revenue recognition and net of loss allowance is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 3 months	<b>61,272</b>	61,795
Over 3 months but within 6 months	<b>3,793</b>	7,703
Over 6 months but within 12 months	<b>4,849</b>	8,042
Over 12 months	<b>2,570</b>	—
	<b>72,484</b>	77,540



# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 11 TIME DEPOSITS, PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

### (a) Time deposits

	<b>At 30 June 2023 RMB'000</b>	At 31 December 2022 RMB'000
Time deposits held at the bank with original maturity over three months	<b>30,000</b>	—

As at 30 June 2023, the time deposits held at the bank with original maturity over three months have an annual interest rate of 2.94% (31 December 2022: Nil).

### (b) Pledged deposits

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Guarantee deposits for issuance of bank acceptance notes	<b>10,855</b>	15,690

The pledged deposits will be released upon the settlement of the relevant bank acceptance notes by the Group.

### (c) Cash and cash equivalents

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Cash at bank	<b>221,192</b>	286,418
Cash in hand	*	*
	<b>221,192</b>	286,418
Less: Pledged deposits	<b>(10,855)</b>	(15,690)
	<b>210,337</b>	270,728

\* Amount less than RMB1,000

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 12 TRADE AND OTHER PAYABLES

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade payables			
— Third parties		<b>32,530</b>	54,173
— Related parties	15(c)	<b>4,945</b>	471
Bills payable		<b>10,855</b>	15,690
		<b>48,330</b>	70,334
Other payables and accruals		<b>19,139</b>	22,122
Financial liabilities measured at amortised cost		<b>67,469</b>	92,456
Accrued payroll and other benefits		<b>6,856</b>	10,694
Other taxes and charges payable		<b>369</b>	2,863
		<b>74,694</b>	106,013

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 3 months	<b>38,962</b>	56,271
Over 3 months but within 6 months	<b>7,264</b>	12,803
Over 6 months but within 12 months	<b>1,177</b>	314
Over 12 months	<b>927</b>	946
	<b>48,330</b>	70,334

## 13 DIVIDENDS

The directors of the Company did not propose any declaration of dividend during the six months ended 30 June 2022 and 2023.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 14 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial statements were as follows:

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
<b>Purchase of property, plant and equipment:</b>		
Contracted for	<b>2,980</b>	21

## 15 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Name of and relationship with related parties

During the reporting period, transactions with the following parties are considered as related party transactions:

<b>Name of related party</b>	<b>Relationship with the Group</b>
Mr. Xu Buyun 徐步雲先生	Controlling shareholder of the Company
Mrs. Chen Jiangyue 陳江月女士	Mr. Xu Buyun's close family member and controlling shareholder of the Company
Buyang Group Co., Ltd. and its subsidiaries ("Buyang PRC") 步陽集團有限公司及其子公司*	Corporate Controlled by Mr. Xu Buyun
Topsun Investment Holding Company Limited	Ultimate parent company of the Group

\* The English translation of the Company name is for reference only. The official names of these companies are in Chinese.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 15 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Particulars of significant transactions between the Group and related parties during the reporting period are as follows:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interest income from:		
— Topsun Investment Holding Company Limited	129	—
A loan to:		
— Topsun Investment Holding Company Limited	14,117	—
Fuel expenses and utilities paid/payable to:		
— Buyang PRC	3,960	3,409
Interest expense on lease liabilities:		
— Buyang PRC (i)	204	216

Note:

- (i) The amount of rent payable excluding value-added tax by the Group under the lease is RMB857,000 per year. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB10,310,000.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 15 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (c) Significant related party balances

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
<b>Amounts due from:</b>		
Topsun Investment Holding Company Limited (i)		
— Non-trade nature	<b>14,875</b>	—
<b>Amounts due to:</b>		
Buyang PRC		
— Trade nature	<b>4,945</b>	471
<b>Lease liabilities due to:</b>		
— Buyang PRC	<b>6,912</b>	7,565

Note:

- (i) On 8 May 2023, the Company lent a three-year loan to Topsun Investment Holding Company Limited of HKD16,000,000 with an annual interest rate of 6%, guaranteed by controlling shareholder Mr. Xu Buyun.

As at 30 June 2023, the gross amounts due from Topsun Investment Holding Company Limited amounted to RMB14,875,000 including the principal of HKD16,000,000 (equivalent to approximately RMB14,752,000) and corresponding interests of HKD139,397 (equivalent to approximately RMB123,000).

- (ii) Amounts due to related party are unsecured and interest-free.