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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)

**ANNOUNCEMENT OF INTERIM RESULTS FOR
THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Changes
	2023 (RMB'000)	2022 (RMB'000)	
Revenue	161,708	205,106	(21.16)%
Gross profit	24,903	39,720	(37.30)%
Profit before tax	22,478	33,953	(33.80)%
Profit for the period	16,681	25,456	(34.47)%
Total comprehensive income for the period	16,420	25,417	(35.40)%
Earnings per share (basic and diluted) (RMB)	0.02	0.03	(33.33)%

The board (the “**Board**”) of directors (the “**Directors**”) of Buyang International Holding Inc (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the six months ended June 30, 2023 (the “**Reporting Period**”) together with the comparative figures for the six months ended June 30, 2022. The unaudited condensed consolidated financial information for the Reporting Period has been reviewed by the audit committee of the Board (the “**Audit Committee**”).

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 Reporting Period, our revenue decreased from approximately RMB205.1 million to approximately RMB161.7 million and our profit for the period decreased from approximately RMB25.5 million to approximately RMB16.7 million in 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.

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.

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.

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 announcement, 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.

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.

Pledge of Assets

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

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

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.

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.

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 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.

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 announcement. 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 announcement, the Company has complied with all applicable code provisions under Part II of the Corporate Governance 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 announcement. 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 announcement.

Purchase, Sale or Redemption of the Listed Securities

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

Event After the Reporting Period

As at the date of this announcement, 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.

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**").

Publication of Interim Results and 2023 Interim Report

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <http://bywheel.com>. The interim report of the Company for the six months ended June 30, 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

By Order of the Board
Buyang International Holding Inc
Xu Buyun
Chairman

Hong Kong, August 25, 2023

As at the date of this announcement, the Board comprises Ms. Xu Jingjun, Mr. Ying Yonghui and Ms. Hu Huijuan as executive Directors; Mr. Xu Buyun and Mr. Zhu Ning as non-executive Directors; and Mr. Fu Yi, Mr. Yeung Man Simon and Mr. Chen Jingeng as independent non-executive Directors.

RESULTS SUMMARY

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

	Six months ended 30 June	
	2023	2022
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	16,681	25,456
Other comprehensive income for the period (after tax and reclassification adjustments)		
<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)
Other comprehensive income for the period	(261)	(39)
Total comprehensive income for the period	16,420	25,417
Earnings per share		
Basic and diluted (<i>RMB</i>)	0.02	0.03

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 — unaudited

(Expressed in RMB)

		30 June 2023	31 December 2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
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		30,000	—
Amounts due from a related party		14,752	—
		115,066	71,695
Current assets			
Inventories		66,200	57,762
Trade and other receivables	9	74,543	77,727
Pledged deposits		10,855	15,690
Cash and cash equivalents		210,337	270,728
		361,935	421,907
Current liabilities			
Trade and other payables	10	74,694	106,013
Contract liabilities		5,844	7,881
Lease liabilities		458	445
Current taxation		4,040	2,931
		85,036	117,270
Net current assets		276,899	304,637
Total assets less current liabilities		391,965	376,332

	30 June	31 December
	2023	2022
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Lease liabilities	6,454	7,120
Deferred income	1,627	1,748
	<u>8,081</u>	<u>8,868</u>
NET ASSETS	<u>383,884</u>	<u>367,464</u>
CAPITAL AND RESERVES		
Share capital	6,952	6,952
Reserves	376,932	360,512
TOTAL EQUITY	<u>383,884</u>	<u>367,464</u>

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 information of the Company as at and for the six months ended 30 June 2023 comprises the Group. The interim financial information 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**”).

The interim financial information 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 the interim financial information 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.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial information 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 interim financial information. 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.

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
	<u>161,708</u>	<u>205,106</u>

(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.

4 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	<u>5,630</u>	<u>898</u>

(b) Other net gain

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

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
	<u> </u>	<u> </u>
Net finance (income)/costs	<u>(3,195)</u>	<u>73</u>

(b) Staff costs

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

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	2022
	RMB'000	RMB'000
Cost of inventories*	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.

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
Current tax		
PRC corporate income tax	6,012	9,026
Deferred tax		
Origination and reversal of temporary differences	<u>(215)</u>	<u>(529)</u>
	<u>5,797</u>	<u>8,497</u>

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	<u>—</u>	<u>598,000,000</u>
Weighted average number of ordinary shares at 30 June	<u><u>1,000,000,000</u></u>	<u><u>748,000,000</u></u>

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 TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
— Third parties	72,889	79,502
Bills receivable	3,029	820
Less: Loss allowance for trade and bills receivable	(3,434)	(2,782)
	72,484	77,540
Amounts due from related party, net of loss allowance	123	—
Financial assets measured at amortised cost	72,607	77,540
Value-added tax recoverable and others	315	64
Prepayment	1,621	123
	74,543	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	61,272	61,795
Over 3 months but within 6 months	3,793	7,703
Over 6 months but within 12 months	4,849	8,042
Over 12 months	2,570	—
	<u>72,484</u>	<u>77,540</u>

10 TRADE AND OTHER PAYABLES

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

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

11 DIVIDENDS

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

12 COMMITMENTS

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

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