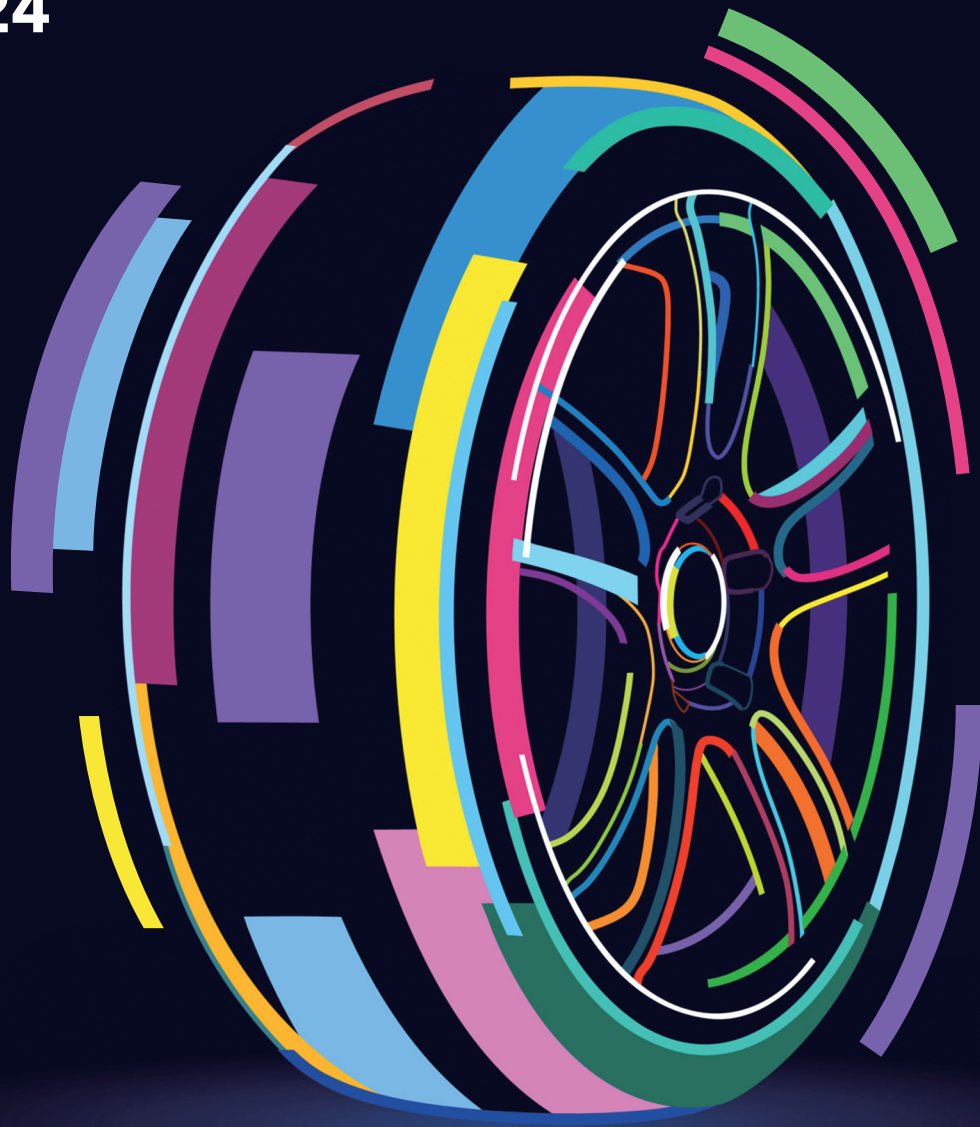




BUYANG INTERNATIONAL HOLDING INC
步陽國際控股有限公司

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

Interim Report
2024



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Company Introduction

OVERVIEW

Buyang International Holding Inc 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 aluminum 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.

Corporate 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. Yeung Man Simon
Mr. Chen Jingeng
Mr. Ren Guodong (appointed on 9 July 2024)
Mr. Fu Yi (resigned on 9 July 2024)

AUDIT COMMITTEE

Mr. Yeung Man Simon (*Chairman*)
Mr. Chen Jingeng
Mr. Ren Guodong (appointed on 9 July 2024)
Mr. Fu Yi (resigned on 9 July 2024)

REMUNERATION COMMITTEE

Mr. Chen Jingeng (*Chairman*)
Ms. Xu Jingjun
Mr. Ren Guodong (appointed on 9 July 2024)
Mr. Fu Yi (resigned on 9 July 2024)

NOMINATION COMMITTEE

Mr. Xu Buyun (*Chairman*)
Mr. Chen Jingeng
Mr. Ren Guodong (appointed on 9 July 2024)
Mr. Fu Yi (resigned on 9 July 2024)

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Ms. Xu Jingjun
Ms. Xu Yuelian

AUDITOR

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

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

Definitions

“Board”	the board of Directors
“Company”, “our Company” or “the Company”	Buyang International Holding Inc (步陽國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on November 14, 2018
“Corporate Governance Code” or “CG Code”	the corporate governance code as set out in Part 2 of Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of our Company
“First Oriental”	First Oriental Limited, one of the Controlling Shareholders and is wholly owned by TopSun
“Global Offering”	as defined in the Prospectus
“Group”, “our Group”, “we” or “us”	our Company together with its subsidiaries and, in respect of the period before our Company became the holding company of our present subsidiaries, refers to the companies that are the present subsidiaries of the Company
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollar(s)”, “HKD” or “HK\$”	the lawful currency of Hong Kong
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	December 15, 2022, the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 of the Listing Rules
“PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	prospectus of the Company dated November 29, 2022
“Renminbi” or “RMB”	the lawful currency of the PRC
“Report”	the Company’s interim report for the Reporting Period
“Reporting Period”	the period from 1 January 2024 to 30 June 2024
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the capital of our Company with par value of US\$0.001 each

Definitions

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TopSun”	TopSun Investment Holding Company Limited, one of the Controlling Shareholders and is owned as to 70% by Mr. Xu Buyun and 30% by Ms. Chen Jiangyue
“%”	percent

Financial Summary

RESULTS

	Six months ended June 30,		Change
	2024	2023	
	(In RMB thousands)		
	Unaudited	Unaudited	
Revenue	189,315	161,708	17.07%
Gross Profit	26,912	24,903	8.07%
Profit before tax	14,782	22,478	(34.24%)
Income tax	(2,335)	(5,797)	(59.72%)
Profit for the period	12,447	16,681	(25.38%)
Total comprehensive income for the period	12,639	16,420	(23.03%)
Earnings per share			
— Basic and diluted (RMB)	0.012	0.017	(29.41%)

ASSETS, LIABILITIES AND EQUITY

	At June 30,	At December 31,	Change
	2024	2023	
	(In RMB thousands)		
	Unaudited		
Assets			
Total assets	489,123	499,116	(2.00%)
Equity and liabilities			
Total equity	393,526	380,887	3.32%
Total liabilities	95,597	118,229	(19.14%)
Total equity and liabilities	489,123	499,116	(2.00%)

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 30 June 2024, we have achieved solid results and further expanded our overall competitive advantages.

For the six months ended 30 June 2024, we generated approximately RMB31.8 million, RMB134.1 million and RMB18.0 million of our total revenue from the sale of small, medium and large aluminum alloy automobile wheels, respectively, and sold over 506.8 thousand aluminum alloy automobile wheels to the customers.

For the six months ended 30 June 2024, we generated 97% of our total revenue from the sales of aluminum alloy automobile wheels, approximately 29% and 71% of our total revenue from the sales of aluminum alloy automobile wheels were to the domestic and overseas markets, respectively, and we sold over 506.8 thousand aluminum alloy automobile wheels to customers, of which approximately 346.5 thousand were sold to the overseas markets.

During the six months ended 30 June 2024, our revenue increased from approximately RMB161.7 million during the corresponding period in 2023 to approximately RMB189.3 million, but our profit for the period decreased from RMB16.7 million during the corresponding period in 2023 to RMB12.4 million in the Reporting Period.

Throughout the first half of 2024, we remained dedicated to the ongoing development and research of new products. As a result, we successfully developed a total of 137 new products during Reporting Period.

BUSINESS MODEL

We are primarily engaged in the research and development, design, production and sales of aluminum alloy automobile wheels to domestic and overseas customers who purchase our branded and non-branded products. We cooperate closely with our customers to provide them with high quality products which are tailor-made to their specifications and budgets in a timely manner.

Our top five customers in terms of revenue during the Reporting Period were wholesale traders and after-sales retailers in the aftermarket. During the Reporting Period, we made consistent effort to expand our sales in overseas market.

Our customers are mainly aluminum alloy automobile wheel wholesale traders and retailers in the aftermarket. We had 114 customers located in the PRC and had 84 customers located in overseas countries and territories for the six months ended 30 June 2024.

Our products are mainly categorized by size, in particular the diameter of the aluminum alloy automobile wheels. The table below sets forth details of our products by type.

Type	Diameter	Main utilization
Small	12–16 inches	Subcompact and compact car
Medium	17–20 inches	Mid-size and large car and sports utility vehicle
Large	21–26 inches	Full-size sports utility vehicle and pickup truck

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.

Management Discussion and Analysis

The following table sets forth our revenue by sizes of aluminum alloy automobile wheel, in absolute amount and as a percentage of total revenue derived from sales of aluminum alloy automobile wheels, for the six months ended 30 June 2024 and 2023:

	The six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
Small	31,762	17.27%	27,694	17.59%
Medium	134,098	72.92%	112,094	71.20%
Large	18,047	9.81%	17,646	11.21%
Total sales of aluminum alloy automobile wheel	183,907	100.00%	157,434	100.00%

PROSPECTS

In the second half of 2024, 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 increased by approximately 17.07% from approximately RMB161.7 million for the six months ended 30 June 2023 to approximately RMB189.3 million for the six months ended 30 June 2024.

Sales volume of aluminum alloy automobile wheel

Our total revenue from the sale of aluminum alloy automobile wheels increased by approximately 16.82% from approximately RMB157.4 million for the six months ended 30 June 2023 to approximately RMB183.9 million for the six months ended 30 June 2024.

This increase is mainly due to the increased sales order obtained by the Group as the recovery in certain markets.

Sales of other products

Our total revenue from the sale of other products increased by approximately 26.53% from approximately RMB4.3 million for the six months ended 30 June 2023 to approximately RMB5.4 million for the six months ended 30 June 2024.

Management Discussion and Analysis

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 approximately 71% of total revenue. Revenue from sales in overseas markets increased by approximately 27.24% from approximately RMB102.7 million for the six months ended 30 June 2023 to approximately RMB130.7 million for the six months ended 30 June 2024. Our revenue from Asia increased by approximately 1.26% from approximately RMB89.2 million for the six months ended 30 June 2023 to approximately RMB90.4 million for the six months ended 30 June 2024. Our revenue from America increased by approximately 56.22% from approximately RMB39.3 million for the six months ended 30 June 2023 to approximately RMB61.4 million for the six months ended 30 June 2024. Our revenue from Europe increased by approximately 18.26% from approximately RMB27.7 million for the six months ended 30 June 2023 to approximately RMB32.7 million for the six months ended 30 June 2024. Our revenue from Africa decreased by approximately 32.88% from approximately RMB3.9 million for the six months ended 30 June 2023 to approximately RMB2.6 million for the six months ended 30 June 2024. Our revenue from Oceania increased by approximately 37.35% from approximately RMB1.6 million for the six months ended 30 June 2023 to approximately RMB2.2 million for the six months ended 30 June 2024.

Cost of Sales

Our cost of sales increased by approximately 18.71% from approximately RMB136.8 million for the six months ended 30 June 2023 to approximately RMB162.4 million for the six months ended 30 June 2024, which is in line with the increase in revenue.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 8.07% from approximately RMB24.9 million for the six months ended 30 June 2023 to approximately RMB26.9 million for the six months ended 30 June 2024, primarily due to the increase in revenue.

Our gross profit margin was approximately 14.22% for the six months ended 30 June 2024, representing a decrease as compared to gross profit margin of approximately 15.40% for the six months ended 30 June 2023, mainly because of the increase of the raw material price.

Other Revenue

Our other revenue consisted of government grants and rentals receivable from operating leases, other than those relating to investment property. 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 decreased by approximately 78.86% from approximately RMB5.6 million for the six months ended 30 June 2023 to approximately RMB1.2 million for the six months ended 30 June 2024, primarily due to the one-off listing subsidy of RMB5.0 million received by the Group from the government in the first half of 2023, while no such subsidy was received in the first half of 2024.

Other Net Gain

We had other net gain of approximately RMB2.4 million for the six months ended 30 June 2024, as compared to other net gain of approximately RMB3.0 million for the same period in 2023. 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 approximately 6.45% from approximately RMB4.3 million for the six months ended 30 June 2023 to approximately RMB4.6 million for the six months ended 30 June 2024, primarily due to the increase in salary expense.

Management Discussion and Analysis

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased from approximately RMB5.5 million for the six months ended 30 June 2023 to approximately RMB6.1 million for the six months ended 30 June 2024.

Research and Development Costs

We recorded research and development costs of approximately RMB6.7 million for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB3.8 million). The Group established research and development department in April 2023. The department is responsible for research and development of new products, product improvements, and the optimization of production processes and technologies. Currently, the department is prioritizing aluminum alloy automobile wheel lightweighting and production line mechanization.

Net Finance Income

The Group had net finance income of approximately RMB2.5 million for the six months ended 30 June 2024, compared with net finance income of approximately RMB3.2 million for the same period last year.

Profit Before Tax

As a result of the foregoing, our profit before tax for the six months ended 30 June 2024 amounted to approximately RMB14.8 million, representing a decrease of approximately 34.24% as compared to approximately RMB22.5 million for the same period in 2023.

Income Tax

Our income tax decreased by approximately 59.72% from approximately RMB5.8 million for the six months ended 30 June 2023 to approximately RMB2.3 million for the six months ended 30 June 2024, primarily due to the decrease in profit before tax. Our effective tax rate decreased from approximately 25.8% for the six months ended 30 June 2023 to 15.8% for the six months ended 30 June 2024, mainly due the effect of additional tax deduction on research and development costs in the first half of 2024 (six months ended 30 June 2023: nil).

Profit for the Period

Based on the above, our profit for the period decreased by approximately 25.38% from approximately RMB16.7 million for the six months ended 30 June 2023 to approximately RMB12.4 million for the six months ended 30 June 2024 and our net profit margin for the period decreased from approximately 10.32% for the six months ended 30 June 2023 to approximately 6.57% for the six months ended 30 June 2024.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

Our total assets decreased by approximately 2.00% from approximately RMB499.1 million as of 31 December 2023 to approximately RMB489.1 million as of 30 June 2024. Total liabilities decreased by approximately 19.14% from approximately RMB118.2 million as of 31 December 2023 to approximately RMB95.6 million as of 30 June 2024, primarily due to the payment of dividend payable.

As at 30 June 2024, current assets amounted to approximately RMB397.9 million, representing a decrease of approximately 2.79% from approximately RMB409.4 million as at 31 December 2023. Of which, inventories were approximately RMB103.1 million (31 December 2023: approximately RMB91.8 million); trade and other receivables were approximately RMB86.8 million (31 December 2023: approximately RMB78.3 million); pledged deposits were approximately RMB14.8 million (31 December 2023: approximately RMB15.0 million); the interest for a loan provided to a related party was approximately RMB0.1 million (31 December 2023: approximately RMB0.6 million) and time deposits were approximately RMB40 million (31 December 2023: nil).

Management Discussion and Analysis

As at 30 June 2024, current liabilities amounted to approximately RMB88.2 million (31 December 2023: approximately RMB110.1 million); trade and other payables amounted to approximately RMB76.4 million (31 December 2023: approximately RMB73.4 million); contract liabilities amounted to approximately RMB9.5 million (31 December 2023: approximately RMB6.9 million); lease liabilities of approximately RMB0.5 million (31 December 2023: approximately RMB0.5 million); and current taxation of approximately RMB1.8 million (31 December 2023: approximately RMB2.1 million). Non-current liabilities amounted to approximately RMB7.4 million (31 December 2023: approximately RMB8.2 million).

Inventories

As at 30 June 2024, our inventories amounted to approximately RMB103.1 million, representing an increase of approximately 12.35% from approximately RMB91.8 million as of 31 December 2023, mainly due to the increased production and purchase of inventories.

Trade and other receivables

Our trade and other receivables remained stable at approximately RMB86.8 million as of 30 June 2024 as compared with approximately RMB78.3 million as of 31 December 2023.

Cash and Cash Equivalents

The Group continued to maintain a strong financial position. As of 30 June 2024, our cash and cash equivalents amounted to approximately RMB153.1 million, representing a decrease of approximately 31.56% from approximately RMB223.7 million as of 31 December 2023.

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.

Trade and other payables

Our trade and other payables increased by approximately 4.14% from approximately RMB73.4 million as of 31 December 2023 to approximately RMB76.4 million as of 31 December 2024, mainly due to the increased purchase of the inventories.

Borrowings

As of 30 June 2024, the bank loans of the Group was nil (31 December 2023: nil).

Gearing Ratio

The Group's gearing ratio (which equals total debt (including bank loans and lease liabilities) divided by total equity) decreased from 1.9% as of 31 December 2023 to 1.6% as of 30 June 2024.

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

Working Capital

As at 30 June 2024, our net current assets amounted to approximately RMB309.7 million (31 December 2023: approximately RMB299.3 million). Our current assets principally consist of inventories, trade and other receivables, a loan provided to a related party, time deposits, cash and cash equivalents and pledged deposits. Our current liabilities principally consist of trade and other payables, contract liabilities, lease liabilities, and current taxation.

Capital Expenditures

As at 30 June 2024, we incurred and settled capital expenditure, mainly comprising expenditure on property, plant and equipment and intangible assets, of approximately RMB7.7 million (six months ended 30 June 2023: approximately RMB7.3 million), mainly for the construction in progress.

Management Discussion and Analysis

Capital Commitments

As of 30 June 2024, our capital commitments for purchase of property, plant and equipment amounted to approximately RMB3.98 million (31 December 2023: approximately RMB4.73 million).

In addition, in connection with the Prospectus, we intend to (i) expand our production capacity, including the acquisition of new equipment for the production of aluminum alloy steam turbines; (ii) construct new production plants, warehouses and other ancillary facilities on potential sites to be acquired to complement our expanded production capacity; and (iii) design, develop and test our new moulds and prototypes. 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

As of 30 June 2024, we had collateral deposits of RMB14.8 million (31 December 2023: approximately RMB15.0 million), which mainly consist of deposits for the issuance of bank acceptance notes. The pledged deposits will be released upon settlement of the relevant bank acceptance notes by the Group.

Contingent Liabilities

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

Significant Investments Held

During the Reporting Period, the Group did not hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as of 30 June 2024).

Material Acquisitions and Disposals of Subsidiaries and Associates

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

Future Plans for Major Investments and Capital Assets

During the Reporting Period, save as disclosed in the paragraph headed "Use of Net Proceeds from Global Offering" below, the Group has no specific plans for major investments or acquisitions of major capital assets or other businesses.

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. In respect of other receivables and loans provided to related parties, the Group has assessed that the expected credit loss rate for these receivables is immaterial and no loss allowance provision for these receivables was recognised during the Reporting Period. 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.

Management Discussion and Analysis

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 are lease liabilities and a loan provided to a related party as at 30 June 2024 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. During the six months ended 30 June 2024, the Group did not use any derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business. The Group manages its foreign currency risk by closely monitoring the fluctuation of foreign currency rates.

HUMAN RESOURCES AND REMUNERATION POLICY

The number of employees of the Group was 505 as of 30 June 2024 (484 as of 30 June 2023). The total staff costs for the Reporting Period was approximately RMB24.2 million as compared to RMB21.5 million for the six months ended 30 June 2023, the increase was primarily attributable to the increased production during the Reporting Period. We did not incur equity settled share-based expenses during the Reporting Period.

To promote employees’ knowledge and technical expertise, the Group offers training programs 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.

Corporate Governance and Other Information

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

As at 30 June 2024, the interests of each Director in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and 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 as set out in Appendix C3 to the Listing Rules are as follows:

(i) Interest in the Company

Director	Nature of interest	Number of shares ⁽¹⁾	Approximate percentage of shareholding
Xu Buyun	Interest in controlled corporation ⁽²⁾	750,000,000 (L)	75%

Notes:

- (1) (L) means long position.
- (2) These 750,000,000 shares are held by First Oriental, 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.

(ii) Interests in Associated Corporations

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

Notes:

- (1) (L) means long position.
- (2) First Oriental is interested in 75% of the issued Shares and is wholly owned by TopSun and, accordingly, First Oriental and TopSun are the holding companies (as defined in the SFO) of the Company respectively.
- (3) 15,000 shares of TopSun are held by Chen Jiangyue, the spouse of Xu Buyun. Accordingly, Xu Buyun is deemed to be interested in all the shares held by Chen Jiangyue under the SFO.

Corporate Governance and Other Information

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

As at 30 June 2024, 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 ⁽¹⁾	Approximate percentage of shareholding
Xu Buyun	Interest in controlled corporation ⁽²⁾	750,000,000 (L)	75%
Chen Jiangyue	Interest of spouse ⁽³⁾	750,000,000 (L)	75%
First Oriental ⁽²⁾	Interest in controlled corporation ⁽²⁾	750,000,000 (L)	75%
TopSun ⁽²⁾	Beneficial owner	750,000,000 (L)	75%
Hu Zhonghuai	Interest in controlled corporation ⁽⁵⁾	55,365,000 (L)	5.54%
Arda (HK) Investment Co., Limited ⁽⁵⁾	Beneficial owner	55,365,000 (L)	5.54%

Notes:

- (L) means long position.
- The entire equity interest of First Oriental is held by TopSun, which in turn is owned as to 70% by Xu Buyun and 30% by Chen Jiangyue respectively. Accordingly, Xu Buyun and TopSun are deemed to be interested in all the shares held by First Oriental respectively under the SFO.
- 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.
- Xu Buyun, the chairman and non-executive Director, is a director of TopSun and First Oriental.
- The entire equity interest of Arda (HK) Investment Co., Limited is held by Hu Zhonghuai. Accordingly, Hu Zhonghuai 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 18 November 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, 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 remaining life of the Share Option Scheme is approximately eight years and eight months.

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.

Corporate Governance and Other Information

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 during the Reporting Period.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company’s shares were listed on the Main Board of the Stock Exchange on 15 December 2022. 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**”).

Set out below are details of the allocation of the net proceeds, and the unutilized amount of the net proceeds up to 30 June 2024.

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 30 June 2024 HK' million	Utilized amount for the Reporting Period HK' million	Balance of Net Proceeds utilized at 30 June 2024 HK' million	Expected timeline of utilization
Expansion of our production capacity	57.0	42.8	18.9	3.6	23.9	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	2.8	—	On or before December 2024
Total	100.0	75.1	24	6.4	51.1	

The unutilized Net Proceeds are primarily placed in licensed banks in PRC and Hong Kong as at the date of this Report.

INTERIM DIVIDEND

The board of directors of the Company has resolved not to declare an interim dividend in respect of the six months ended 30 June 2024.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high level of corporate governance in order to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as its own corporate governance code. The Board believes that good corporate governance could lead the Company to success and balance the interests of Shareholders, customers and employees, and the Board is therefore devoted to ongoing reviews and enhancements of the efficiency and effectiveness of compliance with such principles and practices.

From 1 January 2024 and up to the date of this Report, the Company has complied with all applicable code provisions under Part 2 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 set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code from 1 January 2024 and up to the date of this Report.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OR SALE OF TREASURY SHARES

From 1 January 2024 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 or sold any treasury shares. As at 30 June 2024, the Company did not hold any treasury shares.

CHANGES TO DIRECTORS' INFORMATION

On 9 July 2024, the board announced that Mr. Fu Yi has resigned as an independent non-executive Director, the member of Audit Committee, the member of Nomination Committee and the member of Remuneration Committee of the Company. Subsequent to the resignation of Mr. Fu Yi, Mr. Ren Guodong has been appointed as an independent non-executive Director, the member of Audit Committee, the member of Nomination Committee and the member of Remuneration Committee of the Company.

Please refer to the announcement of the Company dated 9 July 2024 for details.

Mr. Yeung Man, Simon ceased to act as the company secretary and the chief financial officer of Zhong An Intelligent Living Service Limited which is an integrated property management service provider in the PRC whose shares were listed on the Main Board of the Stock Exchange (HKEx: 2271), with effect from 19 July 2024.

Save as disclosed above, from 1 January 2024 and up to the date of this Report, 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 January 1, 2024 and up 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.

Corporate Governance and Other Information

AUDIT COMMITTEE

The Board has established the Audit Committee, which comprises three independent non-executive Directors, namely, Mr. Yeung Man Simon (Chairman), Mr. Chen Jingeng and Mr. Ren Guodong in place of Mr. Fu Yi, who resigned on July 9, 2024. 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 30 June 2024. The Audit Committee has also reviewed this Report.

INDEPENDENT REVIEW OF AUDITOR

The interim financial report for the six months ended 30 June 2024 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 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 21 to 38 which comprises the consolidated statement of financial position of Buyang International Holding Inc as of 30 June 2024 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 2024 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

28 August 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2024 — unaudited

(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	3	189,315	161,708
Cost of sales		(162,403)	(136,805)
Gross profit		26,912	24,903
Other revenue	4(a)	1,190	5,630
Other net gain	4(b)	2,424	3,020
Selling and distribution expenses		(4,603)	(4,324)
Administrative and other operating expenses		(6,073)	(5,544)
Research and development costs		(6,660)	(3,750)
Impairment loss on trade receivables		(952)	(652)
Profit from operations		12,238	19,283
Finance income		2,734	3,399
Finance costs		(190)	(204)
Net finance income	5(a)	2,544	3,195
Profit before taxation	5	14,782	22,478
Income tax	6	(2,335)	(5,797)
Profit for the period		12,447	16,681

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2024 — unaudited (continued)

(Expressed in RMB)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Profit for the period		12,447	16,681
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		767	3,122
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of the Company's subsidiaries outside mainland China		(575)	(3,383)
Other comprehensive income for the period		192	(261)
Total comprehensive income for the period		12,639	16,420
Earnings per share			
Basic and diluted (RMB)	7	0.012	0.017

The notes on pages 27 to 38 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2024 – unaudited

(Expressed in RMB)

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	8	54,694	55,514
Right-of-use assets		15,582	15,946
Intangible assets		45	83
Deferred tax assets		1,900	1,732
A loan provided to a related party	9	14,603	14,500
Prepayments		4,358	1,969
		91,182	89,744
Current assets			
Inventories	10	103,134	91,796
Trade and other receivables	11	86,755	78,271
A loan provided to a related party	9	146	564
Time deposits	12(a)	40,000	—
Pledged deposits	12(b)	14,794	15,012
Cash and cash equivalents	12(c)	153,112	223,729
		397,941	409,372
Current liabilities			
Trade and other payables	13	76,442	73,404
Contract liabilities		9,474	6,946
Lease liabilities		486	472
Current taxation		1,841	2,064
Dividend payable		—	27,187
		88,243	110,073
Net current assets		309,698	299,299
Total assets less current liabilities		400,880	389,043

Consolidated Statement of Financial Position

at 30 June 2024 – unaudited (continued)

(Expressed in RMB)

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
Non-current liabilities			
Lease liabilities		5,968	6,649
Deferred income		1,386	1,507
		7,354	8,156
NET ASSETS			
		393,526	380,887
CAPITAL AND RESERVES			
Share capital		6,952	6,952
Reserves		386,574	373,935
		393,526	380,887

Approved and authorised for issue by the board of directors on 28 August 2024.

)	
Xu Buyun)	
)	Directors
Xu Jingjun)	
)	

The notes on pages 27 to 38 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2024 — unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company						
	The People's Republic of China (the "PRC")						
	Share capital	Share premium	Capital reserve	statutory reserve	Exchange reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	6,952	198,080	(45,000)	25,790	(4,439)	186,081	367,464
Changes in equity for the six months ended 30 June 2023:							
Profit for the period	—	—	—	—	—	16,681	16,681
Other comprehensive income for the period	—	—	—	—	(261)	—	(261)
Total comprehensive income	—	—	—	—	(261)	16,681	16,420
Balance at 30 June 2023 and 1 July 2023	6,952	198,080	(45,000)	25,790	(4,700)	202,762	383,884
Changes in equity for the six months ended 31 December 2023:							
Profit for the period	—	—	—	—	—	24,633	24,633
Other comprehensive income for the period	—	—	—	—	(316)	—	(316)
Total comprehensive income	—	—	—	—	(316)	24,633	24,317
Dividends declared and approved in respect of the current year	—	—	—	—	—	(27,314)	(27,314)
Appropriation of statutory reserve	—	—	—	4,283	—	(4,283)	—
Balance at 31 December 2023	6,952	198,080	(45,000)	30,073	(5,016)	195,798	380,887
Balance at 1 January 2024	6,952	198,080	(45,000)	30,073	(5,016)	195,798	380,887
Changes in equity for the six months ended 30 June 2024:							
Profit for the period	—	—	—	—	—	12,447	12,447
Other comprehensive income for the period	—	—	—	—	192	—	192
Total comprehensive income	—	—	—	—	192	12,447	12,639
Balance at 30 June 2024	6,952	198,080	(45,000)	30,073	(4,824)	208,245	393,526

The notes on pages 27 to 38 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2024 — unaudited

(Expressed in RMB)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Operating activities			
Cash generated from/(used in) operations		2,297	(9,383)
PRC corporate income tax paid		(2,726)	(4,903)
Net cash used in operating activities		(429)	(14,286)
Investing activities			
Payment for purchase of property, plant and equipment and intangible assets		(7,747)	(7,145)
Payment for a loan to a related party		—	(14,117)
Payment for purchase of time deposits		(100,000)	(30,000)
Proceeds from disposal of time deposits		60,023	—
Proceeds from disposal of property, plant and equipment		98	737
Interest received		3,156	3,270
Net cash used in investing activities		(44,470)	(47,255)
Financing activities			
Dividends paid to equity shareholders of the Company		(27,187)	—
Payment for listing expenses		—	(814)
Capital element of lease rentals paid		(472)	(444)
Interest element of lease rentals paid		(385)	(413)
Net cash used in financing activities		(28,044)	(1,671)
Net decrease in cash and cash equivalents		(72,943)	(63,212)
Cash and cash equivalents at 1 January		223,729	270,728
Effect of foreign exchange rate changes		2,326	2,821
Cash and cash equivalents at 30 June	12(c)	153,112	210,337

The notes on pages 27 to 38 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 aluminum alloy wheels for automobiles.

The interim financial report of the Company as at and for the six months ended 30 June 2024 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 28 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 28 August 2024. 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 20.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures — Supplier finance arrangements*

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 aluminum 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	
	2024 RMB'000	2023 RMB'000
Sales of aluminum alloy wheels	183,907	157,434
Sales of others	5,408	4,274
	189,315	161,708

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 2024 and 2023 are set out below:*

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Customer A	*	19,890

* Transactions with this customer did not exceed 10% of the Group's revenue for the six months ended 30 June 2024.

(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	
	2024	2023
	RMB'000	RMB'000
Asia	90,372	89,247
Europe	32,737	27,683
America	61,388	39,295
Africa	2,593	3,863
Oceania	2,225	1,620
	189,315	161,708

(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	
	2024 RMB'000	2023 RMB'000
Government grants	915	5,630
Rentals receivable from operating leases, other than those relating to investment property (Note 16(b))	275	—
	1,190	5,630

(b) Other net gain

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Net loss on disposal of property, plant and equipment	(47)	(1,071)
Net foreign exchange gain	2,471	4,091
	2,424	3,020

5 PROFIT BEFORE TAXATION

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

(a) Net finance income

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest income on bank deposits	(2,257)	(3,270)
Interest income on a loan to a related party	(477)	(129)
Interest expense on lease liabilities	190	204
	(2,544)	(3,195)

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	
	2024	2023
	RMB'000	RMB'000
Salaries and other benefits	22,809	20,804
Contributions to defined contribution scheme (Note)	1,358	660
	24,167	21,464

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	
	2024	2023
	RMB'000	RMB'000
Cost of inventories* (Note 10(b))	162,403	136,805
Depreciation		
— Property, plant and equipment	5,087	6,336
— Right-of-use assets	323	320
Amortisation of intangible assets	38	66
Impairment loss on trade and other receivables	952	652
Research and development costs	6,660	3,750

* Cost of inventories include RMB22,122,000 relating to staff costs and depreciation expenses for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB22,610,000), 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	
	2024	2023
	RMB'000	RMB'000
Current tax		
PRC corporate income tax	2,503	6,012
Deferred tax		
Origination and reversal of temporary differences	(168)	(215)
	2,335	5,797

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 2024 (six months ended 30 June 2023: Nil).
- (iii) The Group's PRC subsidiary is subject to PRC income tax at 25%. According to the relevant PRC income tax law, certain research and development costs of PRC subsidiaries are qualified for 100% additional deduction for tax purpose.

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 RMB12,447,000 (six months ended 30 June 2023: RMB16,681,000) and the weighted average of 1,000,000,000 ordinary shares (six months ended 30 June 2023: 1,000,000,000 ordinary shares) in issue during the interim period.

There were no dilutive potential shares outstanding for the six months ended 30 June 2024 and 2023 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 2024, the Group acquired items of machinery equipment, moulds, electronic and other equipment with a cost of RMB5,069,000 (six months ended 30 June 2023: RMB3,669,000).

Items of machinery equipment, electronic and other equipment, motor vehicles with a net book value of RMB133,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB1,724,000), resulting in a loss on disposal of RMB47,000 (six months ended 30 June 2023: RMB1,071,000).

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

9 A LOAN PROVIDED TO A RELATED PARTY

	30 June 2024 RMB'000	31 December 2023 RMB'000
A fixed-rate loan receivables	14,603	14,500
Accrued interest receivables	146	564
	14,749	15,064
Analysed as:		
— Non-current	14,603	14,500
— Current	146	564
	14,749	15,064

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 2024, the gross loan provided to Topsun Investment Holding Company Limited amounted to RMB14,749,000 including the principal of HKD16,000,000 (equivalent to approximately RMB14,603,000) and corresponding interests of HKD160,438 (equivalent to approximately RMB146,000).

10 INVENTORIES

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
Raw materials	28,308	18,098
Work in progress	18,150	15,697
Finished goods	56,420	58,328
Others	1,386	553
	104,264	92,676
Write-down of inventories	(1,130)	(880)
	103,134	91,796

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

10 INVENTORIES (Continued)

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Carrying amount of inventories sold	162,153	136,511
Write-down of inventories	250	294
	162,403	136,805

11 TRADE AND OTHER RECEIVABLES

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
Trade receivables			
— Third parties		85,496	71,254
Bills receivable		3,800	2,591
Less: Loss allowance for trade and bills receivable		(4,043)	(3,091)
		85,253	70,754
Amounts due from related party, net of loss allowance	16(c)	—	63
Financial assets measured at amortised cost		85,253	70,817
Value-added tax recoverable and others		1,164	1,181
Prepayment		338	6,273
		86,755	78,271

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 2024 RMB'000	31 December 2023 RMB'000
Within 3 months	77,165	65,910
Over 3 months but within 6 months	7,524	4,424
Over 6 months but within 12 months	564	420
Over 12 months	—	—
	85,253	70,754

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

12 TIME DEPOSITS, PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Time deposits

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Time deposits held at the bank with original maturity over three months	40,000	—

As at 30 June 2024, the time deposits held at the bank with original maturity over three months have an annual interest rate of 1.70% (31 December 2023: Nil).

(b) Pledged deposits

	30 June 2024 RMB'000	31 December 2023 RMB'000
Guarantee deposits for issuance of bank acceptance notes	14,794	15,012

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

(c) Cash and cash equivalents

	30 June 2024 RMB'000	31 December 2023 RMB'000
Bank deposits with original maturity within three months	20,000	—
Cash at bank	147,906	238,740
Cash in hand	*	1
	167,906	238,741
Less: Pledged deposits	(14,794)	(15,012)
	153,112	223,729

* Amount less than RMB1,000

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(Expressed in RMB unless otherwise indicated)

13 TRADE AND OTHER PAYABLES

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
Trade payables			
— Third parties		28,730	26,666
— Related parties	16(c)	5,474	535
Bills payable		14,794	15,012
		48,998	42,213
Other payables and accruals		19,703	19,524
Financial liabilities measured at amortised cost		68,701	61,737
Accrued payroll and other benefits		7,280	11,019
Other taxes and charges payable		461	648
		76,442	73,404

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 2024 RMB'000	31 December 2023 RMB'000
Within 3 months	36,386	28,765
Over 3 months but within 6 months	9,012	12,182
Over 6 months but within 12 months	2,599	370
Over 12 months	1,001	896
	48,998	42,213

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

14 DIVIDENDS

The directors of the Company did not propose any declaration of dividend during the six months ended 30 June 2023 and 2024.

The special dividend declared and approved during the year ended 31 December 2023 of HKD 0.03 per ordinary share was paid on 19 January 2024.

15 COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial statements were as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Purchase of property, plant and equipment:		
Contracted for	3,975	4,733

16 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:

Name of related party	Relationship with the Group
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)

16 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	
	2024 RMB'000	2023 RMB'000
Interest income from:		
— Topsun Investment Holding Company Limited	477	129
A loan to:		
— Topsun Investment Holding Company Limited	—	14,117
Fuel expenses and utilities to:		
— Buyang PRC	4,182	3,960
Rental income from:		
— Buyang PRC	275	—
Interest expense on lease liabilities:		
— Buyang PRC (i)	190	204

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.

(c) Significant related party balances

	30 June 2024 RMB'000	31 December 2023 RMB'000
A loan provided to a related party:		
Topsun Investment Holding Company Limited (Note 9)	14,749	15,064
Amounts due from:		
Buyang PRC		
— Trade nature	—	63
Amounts due to:		
Buyang PRC		
— Trade nature	5,474	535
Lease liabilities due to:		
— Buyang PRC	6,454	7,121

Note:

(i) Amounts due from/to related party are unsecured and interest-free.