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Baiying Holdings Group Limited

百應控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8525)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

*This announcement, for which the directors (“**Directors**”) of Baiying Holdings Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

INTERIM RESULTS

The board (the “**Board**”) of Directors of the Company is pleased to announce the unaudited interim results (the “**Interim Results**”) of the Company and its subsidiaries (the “**Group**”, “**we**”, “**us**” or “**our**”) for the six months ended 30 June 2020 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2019 prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”) promulgated by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). All amounts set out in this announcement are expressed in Renminbi (“**RMB**”) unless otherwise indicated.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 – unaudited

(Expressed in RMB)

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB	RMB
Interest income		15,452,630	28,092,156
Advisory fee income		706,330	1,209,529
Revenue	4	16,158,960	29,301,685
Other net income		1,141,381	1,044,842
Interest expense		(3,552,305)	(7,498,121)
Operating expense		(7,312,523)	(5,672,637)
Impairment losses charged	5	(8,039,134)	(7,613,734)
(Loss)/profit before taxation	6	(1,603,621)	9,562,035
Income tax credit/(expense)	7	138,850	(2,558,503)
(Loss)/profit for the period		(1,464,771)	7,003,532
Attributable to:			
Equity shareholders of the Company		(1,464,771)	7,003,532
(Loss)/profit for the period		(1,464,771)	7,003,532
(Loss)/earnings per share			
Basic and diluted (RMB cents)	8	(0.54)	2.59

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2020	2019
	RMB	RMB
(Loss)/profit for the period	(1,464,771)	7,003,532
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss		
– Exchange differences on translation of financial statements of operations outside the mainland China	<u>(87,431)</u>	<u>(137,122)</u>
Total comprehensive income for the period	<u>(1,552,202)</u>	<u>6,866,410</u>
Attributable to:		
Equity shareholders of the Company	<u>(1,552,202)</u>	<u>6,866,410</u>
Total comprehensive income for the period	<u>(1,552,202)</u>	<u>6,866,410</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited

(Expressed in RMB)

		At 30 June 2020 RMB	At 31 December 2019 RMB
	<i>Notes</i>		
Non-current assets			
Property and equipment	9	4,484,990	1,741,883
Intangible assets		573,486	618,676
Loans and receivables	11	60,955,633	74,444,835
Finance lease receivables	12	27,788,136	33,239,998
Trade and other receivables	13	274,472	291,453
Deferred tax assets		9,452,212	7,471,121
		<u>103,528,929</u>	<u>117,807,966</u>
Current assets			
Loans and receivables	11	131,605,485	75,246,910
Finance lease receivables	12	107,097,939	151,058,651
Trade and other receivables	13	1,797,633	1,717,303
Financial assets at fair value through profit or loss	14	27,561,763	24,013,159
Cash and cash equivalents	15	67,250,468	71,298,721
		<u>335,313,288</u>	<u>323,334,744</u>
Current liabilities			
Borrowings		101,193,340	82,734,380
Trade and other liabilities	16	22,763,878	33,246,001
Lease liabilities		797,096	900,631
Income tax payable		2,853,531	7,483,166
		<u>127,607,845</u>	<u>124,364,178</u>
Net current assets		<u>207,705,443</u>	<u>198,970,566</u>
Total assets less current liabilities		<u>311,234,372</u>	<u>316,778,532</u>
Non-current liabilities			
Trade and other liabilities	16	28,527,715	32,181,701
Lease liabilities		–	337,972
		<u>28,527,715</u>	<u>32,519,673</u>
NET ASSETS		<u>282,706,657</u>	<u>284,258,859</u>
CAPITAL AND RESERVES			
Share capital		2,301,857	2,301,857
Share premium		238,097,760	238,097,760
Reserves		42,307,040	43,859,242
TOTAL EQUITY		<u>282,706,657</u>	<u>284,258,859</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – unaudited

(Expressed in RMB)

Note	Attributable to equity shareholders of the Company						Total equity RMB
	Share capital RMB	Share premium RMB	Capital reserve RMB	Surplus reserve RMB	Exchange reserve RMB	Retained profits RMB	
Balance at 1 January 2019	2,301,857	238,097,760	(6,640,176)	6,474,393	1,660,662	28,410,507	270,305,003
Changes in equity for the six months ended 30 June 2019:							
Profit for the period	-	-	-	-	-	7,003,532	7,003,532
Other comprehensive income	-	-	-	-	(137,122)	-	(137,122)
Total comprehensive income	-	-	-	-	(137,122)	7,003,532	6,866,410
Balance at 30 June 2019 and 1 July 2019	2,301,857	238,097,760	(6,640,176)	6,474,393	1,523,540	35,414,039	277,171,413
Changes in equity for the six months ended 31 December 2019:							
Profit for the period	-	-	-	-	-	12,154,291	12,154,291
Other comprehensive income	-	-	-	-	(78,152)	-	(78,152)
Total comprehensive income	-	-	-	-	(78,152)	12,154,291	12,076,139
Appropriation to statutory reserve	-	-	-	2,055,965	-	(2,055,965)	-
Dividends approved in respect of the previous year	-	-	-	-	-	(4,988,693)	(4,988,693)
Balance at 31 December 2019	2,301,857	238,097,760	(6,640,176)	8,530,358	1,445,388	40,523,672	284,258,859
Balance at 1 January 2020	2,301,857	238,097,760	(6,640,176)	8,530,358	1,445,388	40,523,672	284,258,859
Changes in equity for the six months ended 30 June 2020:							
Loss for the period	-	-	-	-	-	(1,464,771)	(1,464,771)
Other comprehensive income	-	-	-	-	(87,431)	-	(87,431)
Total comprehensive income	-	-	-	-	(87,431)	(1,464,771)	(1,552,202)
Balance at 30 June 2020	2,301,857	238,097,760	(6,640,176)	8,530,358	1,357,957	39,058,901	282,706,657

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
Note	2020	2019
	RMB	RMB
Operating activities		
Cash used in operations	(8,161,397)	(8,751,746)
Tax paid	(6,471,876)	(4,968,873)
Net cash used in operating activities	(14,633,273)	(13,720,619)
Investing activities		
Interest received from deposits with financial institutions	134,550	181,226
Proceeds from disposal and redemption of investments	419,469,360	501,911,453
Proceeds from disposal of property and equipment	–	710
Payments on acquisition of investments	(422,974,276)	(501,180,000)
Payment of purchase of property and equipment	(3,274,863)	(6,320)
Payment for purchase of intangible assets	–	(424,366)
Advances to related parties	(33,800,000)	(102,000,000)
Repayment from related parties	34,735,346	70,116,221
Net cash used in investing activities	(5,709,883)	(31,401,076)
Financing activities		
Proceeds from borrowings	101,970,000	30,000,000
Repayment of borrowings	(83,511,040)	(48,000,000)
Interest element of lease rentals paid	(29,494)	(51,828)
Other interest paid	(1,605,625)	(3,970,997)
Capital element of lease rentals paid	(441,507)	(383,172)
Net cash generated from/(used in) financing activities	16,382,334	(22,405,997)
Net decrease in cash and cash equivalents	(3,960,822)	(67,527,692)
Cash and cash equivalents at 1 January	71,298,721	98,602,193
Effect of foreign exchange rate change	(87,431)	(137,122)
Cash and cash equivalents at 30 June	67,250,468	30,937,379

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of the Cayman Islands as an exempted company with limited liability on 5 June 2017.

To rationalise the corporate structure in preparation of the listing of the Company's shares on GEM of the Stock Exchange of Hong Kong Limited (the "**GEM of the Stock Exchange**"), the Group underwent a reorganisation (the "**Reorganisation**"). Upon completion of the Reorganisation on 16 November 2017, the Company became the Group's holding company.

The Company's issued shares have been listed on GEM of the Stock Exchange since 18 July 2018.

2 BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the GEM Listing Rules, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by HKICPA. These interim financial statements were authorised for issue on 12 August 2020.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial statements in conformity with HKAS 34 requires management to make judgments, 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.

These interim financial statements contain 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, Definition of a Business
- Amendment to HKFRS 16, COVID-19-Related Rent Concessions

None of these developments has 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 these interim financial statements.

The Group has not applied any new standard of interpretation that is not yet effective for the current accounting period.

4 REVENUE

The principal activities of the Group are providing equipment based financing solutions, factoring services, and value-added advisory services to customers in the PRC.

No segment information is presented as the Group is principally engaged in a single line of business for the current and prior periods. Revenue represents interest income and advisory fee net of value added taxes ("VAT") and other charges.

The amount of each significant category of revenue is as follows:

		Six months ended 30 June	
		2020	2019
		RMB	RMB
	Notes		
Interest income from			
Finance leases receivables	(i)	5,192,189	24,841,979
Receivables from sale-leaseback transaction under loans and receivables		9,750,843	3,186,403
Factoring receivables		509,598	63,774
		<u>15,452,630</u>	<u>28,092,156</u>
Advisory fee income	(ii)	<u>706,330</u>	<u>1,209,529</u>
		<u>16,158,960</u>	<u>29,301,685</u>

Notes:

- (i) The Group has no lessee and two lessees for the six months ended 30 June 2020 and 2019 respectively, with whom transactions have exceeded 10% of the Group's aggregate revenues. Such revenue from the lessees is set out below:

	Six months ended 30 June 2019 RMB
Lessee A	4,098,635
Lessee B	<u>3,619,277</u>

- (ii) Advisory fee income arises from contracts with customers within the scope of HKFRS 15, and is recognised at a point in time.

5 IMPAIRMENT LOSSES CHARGED

		Six months ended 30 June	
		2020	2019
	Notes	RMB	RMB
Loans and receivables	11	5,625,691	2,654,206
Finance lease receivables	12	2,322,690	3,816,783
Trade and other receivables	13	<u>90,753</u>	<u>1,142,745</u>
		<u>8,039,134</u>	<u>7,613,734</u>

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	RMB	RMB
(a) Staff cost		
Contributions to defined contribution retirement plan	133,394	178,485
Salaries, wages and other benefits	<u>2,247,887</u>	<u>2,576,206</u>
Subtotal	<u>2,381,281</u>	<u>2,754,691</u>
(b) Other items		
Amortisation	62,171	44,490
Depreciation charge		
– owned property and equipment	91,530	70,792
– right-of-use assets	440,227	440,227
Interest on lease liabilities	29,494	51,828
Auditor's remuneration	339,623	339,623
Legal expenses	485,995	397,752
Consulting expenses	<u>1,886,792</u>	<u>–</u>

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss:

	Six months ended 30 June	
	2020	2019
	RMB	RMB
Current tax		
– PRC Enterprise Income Tax Provision for the period	1,732,916	3,977,204
– Under-provision in respect of prior period	109,325	26,747
Deferred tax		
– Origination of temporary differences	(1,981,091)	(1,445,448)
	<u>(138,850)</u>	<u>2,558,503</u>

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	Six months ended 30 June	
	2020	2019
	RMB	RMB
(Loss)/profit before taxation	<u>(1,603,621)</u>	<u>9,562,035</u>
Notional tax on (loss)/profit before taxation, calculated at the rates applicable in the jurisdictions concerned	(254,082)	2,524,607
Tax effect of non-deductible expenses	5,907	7,149
Under-provision in respect of prior period	<u>109,325</u>	<u>26,747</u>
Income tax (credit)/expense for the period	<u>(138,850)</u>	<u>2,558,503</u>

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the six months ended 30 June 2020 of RMB1,464,771 (profit for six months ended 30 June 2019: RMB7,003,532) and the weighted average of 270,000,000 ordinary shares (six months ended 30 June 2019: 270,000,000 shares) in issue during the interim period.

(b) Diluted (loss)/earnings per share

There were no potential dilutive ordinary shares outstanding during six months ended 30 June 2020 and 2019, and hence the diluted (loss)/earnings per share are the same as basic (loss)/earnings per share.

9 PROPERTY AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2020, the Group had no new lease agreement.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, the Group acquired items of office equipment with a cost of RMB24,913 (six months ended 30 June 2019: RMB6,320). There was no items of office equipment was disposed during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB1,773, resulting in a loss on disposal of RMB1,063).

During the six months ended 30 June 2020, the Group acquired items of construction in progress with a cost of RMB3,249,950 (six months ended 30 June 2019: nil).

(c) Impairment losses

During the six months ended 30 June 2020, no impairment loss of property and equipment was recognised (six months ended 30 June 2019: nil).

10 INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Registered capital	Paid-in capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by the subsidiary	
Byleasing Capital Limited	BVI 15 June 2017	US\$1	US\$1	100%	–	Investment holding
Hong Kong Byleasing Holding Co., Limited	Hong Kong 8 January 2015	RMB100,000,000	RMB100,000,000	–	100%	Investment holding
Xiamen Baiying Leasing Co., Ltd.* (廈門百應融資租賃有限責任公司) ("Xiamen Byleasing")	People's Republic of China 9 March 2010	RMB237,000,000	RMB237,000,000	–	100%	Finance leasing
Shanghai Baiying Commercial Factoring Co., Ltd.* (上海百應商業保理有限責任公司) ("Shanghai Byleasing")	People's Republic of China 11 January 2019	RMB50,000,000	RMB50,000,000	–	100%	Commercial Factoring
Fujian Yongchun Qiaoxin Vinegar Co., Ltd.* (福建永春僑新老醋有限責任公司) ("Qiaoxin")	People's Republic of China 23 April 2020	RMB50,000,000	RMB20,000,000	–	100%	Manufacture and sale of condiment products

* The English translation of these entities' names is for reference only. The official names of these entities are in Chinese.

11 LOANS AND RECEIVABLES

		At 30 June 2020 RMB	At 31 December 2019 RMB
	<i>Note</i>		
Factoring receivables with recourse		36,810,650	31,838,112
Less: Allowances for impairment losses	(i)	<u>(622,391)</u>	<u>(491,013)</u>
Sub-total		<u>36,188,259</u>	<u>31,347,099</u>
Receivables from sale-leaseback transaction		166,563,949	123,041,423
Less: Allowances for impairment losses	(i)	<u>(10,191,090)</u>	<u>(4,696,777)</u>
Sub-total		<u>156,372,859</u>	<u>118,344,646</u>
Total		<u>192,561,118</u>	<u>149,691,745</u>

Notes:

- (i) The allowances for impairment losses of loans and receivables were provided on expected credit loss model. As at 30 June 2020, the credit quality analysis of loans and receivables are as follows:

	At 30 June 2020 RMB	At 31 December 2019 RMB
Overdue and credit-impaired	14,753,936	–
Overdue but not credit-impaired		
– Overdue within 30 days (inclusive)	–	–
– Overdue 30 to 90 days (inclusive)	607,184	14,906,636
– Overdue above 90 days	–	–
Neither overdue nor credit-impaired	188,013,479	139,972,899
Less: Allowances for impairment losses	<u>(10,813,481)</u>	<u>(5,187,790)</u>
At the end of the period/year	<u>192,561,118</u>	<u>149,691,745</u>

(ii) Analysis for reporting purpose as:

	At 30 June 2020 RMB	At 31 December 2019 RMB
Non-current assets	60,955,633	74,444,835
Current assets	131,605,485	75,246,910
	192,561,118	149,691,745

(iii) Loans and receivables and allowances for impairment losses are as follows:

	As at 30 June 2020			
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	Total RMB
Factoring receivables	36,810,650	–	–	36,810,650
Less: Allowances for impairment losses	(622,391)	–	–	(622,391)
Carrying amount of factoring receivables	36,188,259	–	–	36,188,259
Receivables from sale-leaseback transaction	151,202,829	607,184	14,753,936	166,563,949
Less: Allowances for impairment losses	(3,853,708)	(154,809)	(6,182,573)	(10,191,090)
Carrying amount of receivables from sale-leaseback transaction	147,349,121	452,375	8,571,363	156,372,859
Total carrying amount of loans and receivables	183,537,380	452,375	8,571,363	192,561,118
	As at 31 December 2019			
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	Total RMB
Factoring receivables	31,838,112	–	–	31,838,112
Less: Allowances for impairment losses	(491,013)	–	–	(491,013)
Carrying amount of factoring receivables	31,347,099	–	–	31,347,099
Receivables from sale-leaseback transaction	108,134,787	14,906,636	–	123,041,423
Less: Allowances for impairment losses	(2,723,031)	(1,973,746)	–	(4,696,777)
Carrying amount of receivables from sale-leaseback transaction	105,411,756	12,932,890	–	118,344,646
Total carrying amount of loans and receivables	136,758,855	12,932,890	–	149,691,745

(iv) Movements of allowance for impairment losses on loans and receivables:

	2020			
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	Total RMB
Balance at 1 January	3,214,044	1,973,746	–	5,187,790
Transfer to lifetime ECL not credit-impaired	(48,328)	48,328	–	–
Transfer to lifetime ECL credit-impaired	–	(1,973,746)	1,973,746	–
Net remeasurement of loss allowance	(863,221)	106,481	4,208,827	3,452,087
New financial assets originated	2,173,604	–	–	2,173,604
	<u>4,476,099</u>	<u>154,809</u>	<u>6,182,573</u>	<u>10,813,481</u>
Balance at 30 June				

12 FINANCE LEASE RECEIVABLES

	At 30 June 2020 RMB	At 31 December 2019 RMB
Minimum finance lease receivables		
Not later than one year	150,953,278	202,239,536
Later than one year and not later than five years	32,773,540	35,366,237
Gross amount of finance lease receivables	183,726,818	237,605,773
Less: Unearned finance income	(20,130,747)	(26,996,818)
Net amount of finance lease receivables	163,596,071	210,608,955
Less: Allowances for impairment losses	(28,709,996)	(26,310,306)
Carrying amount of finance lease receivables	134,886,075	184,298,649
Present value of minimum finance lease receivables		
Not later than one year	133,887,595	176,169,322
Later than one year and not later than five years	29,708,476	34,439,633
Total	163,596,071	210,608,955

Analysis for reporting purpose as:

	At 30 June 2020 RMB	At 31 December 2019 RMB
Non-current assets	27,788,136	33,239,998
Current assets	107,097,939	151,058,651
	<u>134,886,075</u>	<u>184,298,649</u>

The finance lease receivables with carrying amount of approximately RMB3,453,151 was pledged as collaterals for the Group's bank borrowings as at 30 June 2020 (31 December 2019: RMB3,329,695).

Analysis by security

Finance lease receivables are mainly secured by leased assets which are used in manufacturing, construction and other industries, lessees' deposits and leased assets repurchase arrangement where applicable.

Additional collateral may be obtained from lessees to secure their repayment obligation and such collateral include residential properties, car parks etc. Due to restriction of the collateral registration procedure, finance lease receivables with carrying amount of RMB6,329,962 was arranged through an entrusted loan with properties as the collateral as at 30 June 2020 (31 December 2019: RMB9,226,904).

Lessees' deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the lease contracts. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 30 June 2020 and 31 December 2019, the lessees' deposits pledged for related finance lease receivables were disclosed in note 16.

Analysis of credit quality

The following is a credit quality analysis of finance lease receivables. In the event that an instalment repayment of a finance lease receivables is overdue for more than 30 days, the entire outstanding balance of the finance lease receivables is classified as overdue. If the instalment repayment is overdue within 30 days, only the balance of this instalment is classified as overdue.

	At 30 June 2020 RMB	At 31 December 2019 RMB
Overdue and impaired	116,059,435	108,334,380
Overdue but not impaired		
– Overdue within 30 days (inclusive)	5,125,233	3,939,528
– Overdue 30 to 90 days (inclusive)	–	509,097
– Overdue above 90 days	–	–
Neither overdue nor impaired	42,411,403	97,825,950
Less: Allowances for impairment losses	(28,709,996)	(26,310,306)
At the end of the period/year	<u>134,886,075</u>	<u>184,298,649</u>

Finance lease receivables overdue but not impaired related to a number of lessees failing to pay the instalments, but the Group could collect the remaining balance from the suppliers or the agents of the leased assets through guarantee or from the disposal of leased assets.

(a) **Finance lease receivables and allowance for impairment losses**

	As at 30 June 2020			
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	Total RMB
Net amount of finance lease receivables	47,536,636	–	116,059,435	163,596,071
Less: Allowances for impairment losses	(2,199,781)	–	(26,510,215)	(28,709,996)
Carrying amount of finance lease receivables	<u>45,336,855</u>	<u>–</u>	<u>89,549,220</u>	<u>134,886,075</u>
	As at 31 December 2019			
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	Total RMB
Net amount of finance lease receivables	91,870,351	10,404,224	108,334,380	210,608,955
Less: Allowances for impairment losses	(3,392,266)	(684,944)	(22,233,096)	(26,310,306)
Carrying amount of finance lease receivables	<u>88,478,085</u>	<u>9,719,280</u>	<u>86,101,284</u>	<u>184,298,649</u>

(b) **Movements of allowances for impairment losses on finance lease receivables**

	2020			
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	Total RMB
Balance at 1 January	3,392,266	684,944	22,233,096	26,310,306
Transfer to 12-month ECL	99,395	(12,711)	(86,684)	–
Transfer to lifetime ECL credit-impaired	–	(668,223)	668,223	–
Net remeasurement of loss allowance	(1,400,078)	(4,010)	3,618,580	2,214,492
New financial assets originated	108,198	–	–	108,198
Recoveries of amounts previously written off	–	–	77,000	77,000
Balance at 30 June	2,199,781	–	26,510,215	28,709,996

	2019			
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	Total RMB
Balance at 1 January	7,387,444	282,209	16,869,259	24,538,912
Transfer to lifetime ECL not credit-impaired	(147,243)	147,243	–	–
Transfer to lifetime ECL credit-impaired	(822,378)	(282,209)	1,104,587	–
Net remeasurement of loss allowance	(3,500,699)	520,980	4,116,895	1,137,176
New financial assets originated	475,142	16,721	–	491,863
Recoveries of amounts previously written off	–	–	142,355	142,355
Balance at 31 December	3,392,266	684,944	22,233,096	26,310,306

13 TRADE AND OTHER RECEIVABLES

		At 30 June 2020 RMB	At 31 December 2019 RMB
	<i>Note</i>		
Non-current asset			
Other receivables		84,907	101,888
Deposits for property		<u>189,565</u>	<u>189,565</u>
		<u>274,472</u>	<u>291,453</u>
Current assets			
Other receivables		781,230	1,547,872
Less: Allowances for impairment losses	(i)	<u>(241,564)</u>	<u>(150,811)</u>
		<u>539,666</u>	<u>1,397,061</u>
Prepaid expenses		1,080,923	190,127
Prepayment for leasing assets		<u>177,044</u>	<u>130,115</u>
		<u>1,797,633</u>	<u>1,717,303</u>
Total		<u>2,072,105</u>	<u>2,008,756</u>

(i) Movements of allowances on other receivables

	Six months ended 30 June 2020 RMB	2019 RMB
At 1 January	150,811	104,862
Charged for the period/year	<u>90,753</u>	<u>45,949</u>
At 30 June/31 December	<u>241,564</u>	<u>150,811</u>

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		At 30 June 2020 RMB	At 31 December 2019 RMB
	<i>Note</i>		
Wealth management products	(i)	17,907,778	18,885,559
Listed securities		<u>9,653,985</u>	<u>5,127,600</u>
		<u>27,561,763</u>	<u>24,013,159</u>

Note:

- (i) The above wealth management products were issued by commercial banks in the PRC. They were classified as FVTPL as their contractual cash flows are not solely payments of principal and interest.

15 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB	At 31 December 2019 RMB
Deposits with banks	67,250,468	71,298,721

The Group's main operation in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

16 TRADE AND OTHER LIABILITIES

	At 30 June 2020 RMB	At 31 December 2019 RMB
Current liabilities		
Guaranteed deposits from lessees	(i) 9,733,929	12,311,379
VAT payable and other tax payable	9,001,318	13,417,100
Accounts payable	(ii) 547,915	2,589,816
Accrued staff costs	1,469,100	1,863,557
Receipts in advance	133,686	133,685
Accrued liabilities	339,623	880,944
Interest payable	120,164	230,856
Other payables	1,418,143	1,818,664
	22,763,878	33,246,001
Non-current liabilities		
Guaranteed deposits from lessees	(i) 27,105,621	30,364,201
VAT payable	1,422,094	1,817,500
	28,527,715	32,181,701
Total	51,291,593	65,427,702

Notes:

- (i) Guaranteed deposit from lessees for reporting purpose:

	At 30 June 2020 RMB	At 31 December 2019 RMB
Current portion	9,733,929	12,311,379
Non-current portion	27,105,621	30,364,201
Total	<u>36,839,550</u>	<u>42,675,580</u>

- (ii) As at 30 June 2020 and 31 December 2019, all the accounts payable were payable on demand.

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June 2020 RMB	2019 RMB
Final dividend in respect of the previous financial year, approved and paid during the following interim period (six months ended 30 June 2019: HKD2.1 cents)	<u>–</u>	<u>4,988,693</u>

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between a higher equity holder/shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the six months period ended 30 June 2020.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the Reporting Period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

Fair value hierarchy:

	At 30 June 2020			
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets at fair value through profit or loss				
– Wealth management products	–	17,907,778	–	17,907,778
– Listed securities	9,653,985	–	–	9,653,985
	<u>9,653,985</u>	<u>17,907,778</u>	<u>–</u>	<u>27,561,763</u>
		At 31 December 2019		
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets at fair value through profit or loss				
– Wealth management products	–	18,885,559	–	18,885,559
– Listed securities	5,127,600	–	–	5,127,600
	<u>5,127,600</u>	<u>18,885,559</u>	<u>–</u>	<u>24,013,159</u>

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the Reporting Period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products is determined with reference to the quotation published by the issuing bank as at the end of the Reporting Period.

19 COMMITMENTS

As of 30 June 2020, the Group had no commitments (31 December 2019: nil).

20 CONTINGENT LIABILITIES

As of 30 June 2020, Xiamen Byleasing, an subsidiary of the Group, has issued the performance bond in favor of Yongchun Quanyu Tourism Investment and Development Co., Ltd.* (永春縣全域旅遊投資開發有限責任公司) in the amount of RMB2,000,000 for guarantee of Qiaoxin's performance of its obligation of putting into production before 1 January 2021 in the property purchase contract.

21 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of the entities	Relationship
Mr. Zhou Yongwei (周永偉先生)	One of ultimate controlling shareholders of the Group
Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司) ("Septwolves Group Holding")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Fujian Septwolves Industry Co., Ltd.* (福建七匹狼實業股份有限公司) ("Fujian Septwolves Industry")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Fujian Septwolves Group Corporation* (福建七匹狼集團有限公司) ("Fujian Septwolves Group")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Xiamen Septwolves Asset Management Co., Ltd.*(廈門七匹狼資產管理有限公司) ("Septwolves Asset Management")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Xiamen Huakai Fugui Property Management* (廈門花開富貴物業管理有限公司) ("Huakai Fugui Property Management")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Fujian Jingong Machinery Co., Ltd.* (福建晉工機械有限公司) ("Jingong Machinery")	A company of which 50% interest held by Ke Jinding
Zijiang Capital Limited ("Zijiang Capital")	One of shareholders of the Group
Hong Kong Li Hong Co., Ltd.* (香港莉鴻責任有限公司) ("Hong Kong Li Hong")	A company controlled by Chen Pengling (close member of Zhou Yongwei)
Jinjiang Septwolves Trade Co., Ltd.* (晉江七匹狼貿易有限責任公司) ("Septwolves Trade")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming

* The English translation of the names of these entities is for reference only. The official names of the entities are in Chinese.

(b) Remuneration for key management personnel

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2020	2019
	RMB	RMB
Key management personnel remuneration	<u>648,802</u>	<u>634,974</u>

(c) **Related parties transactions**

The Group entered into below transactions in the ordinary course of business under normal commercial terms and at the market rates.

	Six months ended 30 June	
	2020	2019
	RMB	RMB
Payment for leased assets		
– Jingong Machinery	7,976,800	2,648,000
Interest income		
– Septwolves Group Holding	–	44,686
– Septwolves Trade	935,346	34,718
– Jingong Machinery	–	14,151
Interest expense		
– Septwolves Group Holding	279,168	–
– Fujian Septwolves Group	60,759	–
Rental and property management fee		
– Septwolves Asset Management	435,000	435,000
– Huakai Fugui Property Management	117,007	117,007
– Mr. Zhou Yongwei	36,000	36,000
Lending to related parties		
– Septwolves Group Holding	–	70,000,000
– Septwolves Trade	33,800,000	32,000,000
Repayment from related parties		
– Septwolves Group Holding	–	70,000,000
– Septwolves Trade	33,800,000	–
Borrowing from a related party		
– Hong Kong Li Hong	776,424	–
Repayment to a related party		
– Hong Kong Li Hong	456,720	–
Prepayment for guarantee fee		
– Septwolves Group Holding	730,100	–
– Fujian Septwolves Group	332,000	–

(d) **Balance with related parties**

(i) *Amounts due from related parties*

	At 30 June 2020 RMB	At 31 December 2019 RMB
Trade related		
Prepayment for leasing assets		
– Jingong Machinery	177,044	130,115
Other prepayments		
– Fujian Septwolves Industry	3,960	16,015
Non-trade related		
Trade and other receivables		
– Zijiang Capital	40,411	19,353
Prepayment for guarantee fee to related parties		
– Septwolves Group Holding	434,182	–
– Fujian Septwolves Group	267,596	–
Deposit for rental and property management		
– Septwolves Asset Management	152,250	152,250
– Huakai Fugui Property Management	37,315	37,315

(ii) *Amounts due to related parties*

	At 30 June 2020 RMB	At 31 December 2019 RMB
Trade related		
Accounts payable		
– Jingong Machinery	115,148	115,148
Non-trade related		
Trade and other liabilities		
– Hong Kong Li Hong	639,408	313,523

(e) **Guarantees provided by related parties**

The guarantees provided by related party to the Group as the end of the period/year were as follows:

	At 30 June 2020 RMB	At 31 December 2019 RMB
Fujian Septwolves Group	100,000,000	–
Septwolves Group Holding	270,000,000	294,000,000

22 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: further assessing the quality of finance lease receivables and loans and receivables, continuously monitoring the operations of lessees and enhancing the collection, reassessing the Group's working capital based on the banking facilities, etc. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, as of the date of these financial statements, no significant adverse impact of the COVID-19 outbreak has been identified that would affect the going concern assumption of the Group. The actual impacts may differ from these estimates as situation continues to evolve and further information may become available.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

We are a finance leasing company in Fujian province dedicated to providing equipment-based financing solutions to our customers. We provide customized services to meet specific needs and requirements of our customers by closely interacting with them to determine the appropriate interest rates, repayment plans and terms of our services based on their businesses, cash flows and source of payment. Our customers are mainly small and medium-sized enterprises, entrepreneurial individuals, and reputable large enterprises. The Company keeps developing the finance leasing business and factoring business. While our Group keeps developing the finance leasing business and factoring business, on 23 April 2020, we established Qiaoxin, a vinegar manufactory in the PRC to diversify our business. This new business will not affect our principal business. As of 30 June 2020, Qiao Xin has not put into production.

On 19 June 2020, subsequent to the passing of the special resolution approving the change of Company name by the shareholders of the Company at the extraordinary general meeting (the “EGM”) and the issuance of the certificate of incorporation on change of name by the Registrar of Companies in the Cayman Islands, the change of Company name became effective. For more details, please refer to (i) the announcement of the Company dated 12 May 2020 and the circular of the Company dated 3 June 2020 in relation to the change of Company name and the amendments to the memorandum and articles of association; (ii) the poll results of the EGM dated 19 June 2020; and (iii) the announcement of the Company in relation to the change of Company name, stock short name and amendments to the memorandum and articles of association dated 3 August 2020.

Our revenue decreased from RMB29.3 million for the six months ended 30 June 2019 to RMB16.2 million for the six months ended 30 June 2020. Our profit decreased from RMB7.0 million for the six months ended 30 June 2019 to a loss of RMB1.5 million for the six months ended 30 June 2020.

Finance Leasing Services

We primarily offered two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to our customers. Direct finance leasing is mainly used when our customers commence new projects, expand production, make advancements in technology and have finance demands to purchase new equipment. Sale-leaseback is primarily used by our customers who need working capital to fund their business operations. Through sale-leaseback, our customers sell the assets, of which they have the ownership, to us to finance their working capital and then lease the sold assets back. For the six months ended 30 June 2020, our revenue from finance leasing services was RMB14.9 million, accounting for 92.4% of our total revenue.

The following table sets forth average monthly balance of the interest-generating receivables arising from finance leasing services and the range of corresponding interest rate for the periods indicated:

	For the six months ended 30 June 2020	For the year ended 31 December 2019
Average monthly balance of interest-generating receivables arising from finance leasing services (<i>RMB'000</i>)		
– Direct finance leasing	24,385	53,102
– Sale-leaseback	199,074	306,735
Range of interest rate per annum		
– Direct finance leasing	11.1% to 20.9%	11.1% to 20.1%
– Sale-leaseback	11.0% to 18.7%	11.0% to 22.8%

The following table sets forth the credit quality analysis of our finance lease receivables as of the date indicated:

	As of 30 June 2020 <i>RMB'000</i>	As of 31 December 2019 <i>RMB'000</i>
Neither overdue nor credit-impaired	42,412	97,826
Overdue but not credit-impaired		
– Overdue within 30 days (inclusive)	5,125	3,940
– Overdue 30 to 90 days (inclusive)	–	509
Overdue and credit-impaired	116,059	108,334
Net amount of finance lease receivables	163,596	210,609
Allowances for impairment losses	(28,710)	(26,310)
Carrying amount of finance lease receivables	134,886	184,299

Our net amount of finance lease receivables classified as overdue and credit-impaired increased from RMB108.3 million as of 31 December 2019 to RMB116.1 million as of 30 June 2020 because of the increase in the net amount of financial lease receivables of RMB9.9 million as a result of an additional default agreement.

The following table sets forth the credit quality analysis of receivables from sale-leaseback transactions as of the date indicated:

	As of 30 June 2020 <i>RMB'000</i>	As of 31 December 2019 <i>RMB'000</i>
Neither overdue nor credit-impaired	151,203	108,135
Overdue but not credit-impaired		
– Overdue within 30 days (inclusive)	–	–
– Overdue 30 to 90 days (inclusive)	607	14,907
Overdue and credit-impaired	14,754	–
Receivables from sale-leaseback transaction	166,564	123,042
Allowances for impairment losses	(10,191)	(4,697)
Carrying amount of receivables from sale-leaseback transaction	156,373	118,345

Our receivables from sale-leaseback transaction classified as overdue and credit-impaired increased because two agreements were overdue for more than 90 days.

The allowances for impairment losses of finance lease receivables and receivables from sale-leaseback transaction were provided on expected credit loss model. The following tables set forth our loss allowance as of the dates indicated:

	12-month ECL <i>RMB'000</i>	As of 30 June 2020 Lifetime ECL not credit- impaired <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Net amount of finance lease receivables	47,537	–	116,059	163,596
Allowances for impairment losses	(2,200)	–	(26,510)	(28,710)
Carrying amount of finance lease receivables	45,337	–	89,549	134,886
Receivables from sale- leaseback transaction	151,203	607	14,754	166,564
Allowance for impairment losses	(3,854)	(155)	(6,182)	(10,191)
Carrying amount of receivables from sale- leaseback transaction	147,349	452	8,572	156,373

		As of 31 December 2019		
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
Net amount of finance lease receivables	91,870	10,405	108,334	210,609
Allowances for impairment losses	(3,392)	(685)	(22,233)	(26,310)
Carrying amount of finance lease receivables	<u>88,478</u>	<u>9,720</u>	<u>86,101</u>	<u>184,299</u>
Receivables from sale- leaseback transaction	108,135	14,907	–	123,042
Allowance for impairment losses	(2,723)	(1,974)	–	(4,697)
Carrying amount of receivables from sale- leaseback transaction	<u>105,412</u>	<u>12,933</u>	<u>–</u>	<u>118,345</u>

Factoring Services

For the six months ended 30 June 2020, our revenue from factoring services was RMB0.5 million, accounting for 3.2% of our total revenue.

The following table sets forth the average monthly balance of our factoring services and the range of corresponding interest rate for the periods indicated:

	For the six months ended 30 June 2020	For the year ended 31 December 2019
Average monthly balance of factoring receivables (RMB'000)	7,561	3,950
Range of interest rate	10.0% to 15.6%	10.0% to 15.6%

The following tables set forth our loss allowance as of the dates indicated:

	As of 30 June 2020			Total RMB'000
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit- impaired RMB'000	
Factoring receivables	36,810	–	–	36,810
Allowances for impairment losses	(622)	–	–	(622)
Carrying amount of factoring receivables	<u>36,188</u>	<u>–</u>	<u>–</u>	<u>36,188</u>
	As of 31 December 2019			Total RMB'000
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit- impaired RMB'000	
Factoring receivables	31,838	–	–	31,838
Allowances for impairment losses	(491)	–	–	(491)
Carrying amount of factoring receivables	<u>31,347</u>	<u>–</u>	<u>–</u>	<u>31,347</u>

Advisory Services

Leveraging our experience in arranging finance leases for our customers, we also provide advisory services with regard to project coordination, contract drafting and negotiation, project management, project financing and its compliance with relevant regulatory requirements. For the six months ended 30 June 2020, our revenue from advisory services was RMB0.7 million, accounting for 4.4% of our total revenue. Such revenue came from one advisory service agreement, which we entered into with one of our customers, involving a construction project, with a total investment of approximately RMB1,142 million. We charged 1% of the project progress payment which our customer received for our advisory services.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the six months ended 30 June 2020:

Key requirements	Compliance status
A foreign-funded finance leasing company shall not provide in any form direct or indirect financing for local governments' financing platform companies that undertake public welfare duties.	Our Group complied with such requirement for the six months ended 30 June 2020.
The total assets of the foreign investor(s) of a foreign-funded finance leasing company shall not be less than US\$5 million and the foreign investor(s) shall not be in insolvency and ordinarily shall have been existed more than one year.	Our Group complied with such requirement for the six months ended 30 June 2020.
The registered capital of a foreign-funded finance leasing company shall not be less than US\$10 million and the proportion of the foreign investment shall not be lower than 25%.	Our Group complied with such requirement for the six months ended 30 June 2020.
A foreign-funded finance leasing company shall have professional staff. And its senior management team shall have professional qualifications and no less than three years of experience in the relevant industries.	Our Group complied with such requirement for the six months ended 30 June 2020.
The term of operation of a foreign-funded finance leasing company shall generally not exceed 30 years.	Our Group complied with such requirement for the six months ended 30 June 2020.
A foreign-funded finance leasing company shall contain the words "finance leasing" (融資租賃) in its corporate name and shall not contain the words "financial lease" (金融租賃) in its corporate name or its business scope.	Our Group complied with such requirement for the six months ended 30 June 2020.

Key requirements

A finance leasing company can conduct guarantee business only in relation with its leasing transactions, but shall not contain the word “guarantee” in its corporate name and shall not take guarantee business as its main business.

A finance leasing company shall not engage in deposit taking (吸收存款), lending (發放貸款), entrusted lending (受託發放貸款), and without the approval of the competent authority, shall not engage in inter-bank borrowing and is prohibited from carrying out illegal fund-raising activities under the disguise of finance leasing in any circumstances.

As a general practice and according to the Measures for the Administration of Entrusted Loans of Commercial Banks (商業銀行委託貸款管理辦法) and General Rules for Loans (貸款通則), a company is allowed to entrust a commercial bank to provide loans to a third party.

A finance leasing company shall not accept any property to which a lessee has no disposal rights or on which any mortgage has been created, or which has been sealed or seized by any judicial organs, or whose ownership has any other defects as the subject matter of a sale-leaseback transaction.

Risk assets of a finance leasing company shall not exceed ten times of its total net assets.

Compliance status

Our Group complied with such requirement for the six months ended 30 June 2020.

Our Group complied with such requirement for the six months ended 30 June 2020.

Our Group complied with such applicable requirement for the six months ended 30 June 2020.

Our Group complied with such requirement for the six months ended 30 June 2020.

Financial Overview

Results of Operations

Revenue

Our revenue consists of interest income and advisory fee income. During the Reporting Period, our interest income consisted of interests in installments and one-time management fees received from our finance leasing and factoring services, and our advisory fee income represented the advisory fees received from our value-added advisory services. The following table sets forth our revenue by service type for the periods indicated:

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest Income:		
Finance leasing services	14,943	28,028
– Direct finance leasing	1,126	3,711
– Sale-leaseback	13,817	24,317
Factoring services	510	64
Advisory Fee Income:		
Advisory services	706	1,210
Total	16,159	29,302

Our revenue decreased from RMB29.3 million for the six months ended 30 June 2019 to RMB16.2 million for the six months ended 30 June 2020 mainly due to the decrease in our finance leasing business.

Other Net Income

Our other net income mainly consists of interest income from deposits with financial institutions, investment income from wealth management products and interest income from loan to related parties.

Our other net income slightly increased from RMB1.0 million for the six months ended 30 June 2019 to RMB1.1 million for the six months ended 30 June 2020 primarily because of (i) the increase in the interest income from loan to a related party of RMB0.8 million; (ii) the unrealized losses on financial assets at fair value through profit or loss of RMB0.6 million; and (iii) the decrease in the investment income from wealth management products of RMB0.1 million.

Interest Expense

Interest expenses mainly consist of interest expenses on our interest-bearing borrowings and imputed interest expense on interest-free guaranteed deposits from lessees. We incur interest expenses on borrowings which are principally used to fund our finance leasing business.

Our gearing ratio increased from 0.3 times as of 31 December 2019 to 0.4 times as of 30 June 2020 due to the increase in liabilities. The gearing ratio is a measure of financial leverage. It represents total interest-bearing borrowings divided by total equity as of 30 June 2020.

Our interest expenses decreased from RMB7.5 million for the six months ended 30 June 2019 to RMB3.6 million for the six months ended 30 June 2020 mainly due to the decrease in average monthly balance of loans.

Operating Expenses

Our operating expenses consist primarily of staff cost, consulting expenses, legal expenses and depreciation and amortization. The table below sets forth the components of our operating expenses by nature for the periods indicated:

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
Staff cost	2,381	2,755
Legal expenses	486	398
Consulting expenses	1,887	–
Business travel and transportation expenses	152	198
Depreciation and amortization	594	555
Property management expenses	117	117
Auditor's remuneration	340	340
Sundry expenses	1,356	1,310
Total operating expenses	7,313	5,673

Our operating expenses increased from RMB5.7 million for the six months ended 30 June 2019 to RMB7.3 million for the six months ended 30 June 2020 mainly due to the increase in consulting expenses of RMB1.9 million for the establishment of Qiaoxin.

Impairment Losses Charged

Our impairment losses charged mainly include impairment losses charged on loans and receivables and finance lease receivables. The table below sets forth our total impairment losses charged by asset type for the periods indicated:

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
Loans and receivables	5,625	2,654
Finance lease receivables	2,323	3,817
Trade and other receivables	91	1,143
Total impairment losses charged	8,039	7,614

Our impairment losses charged slightly increased primarily because of (i) two additional default agreements; (ii) the decrease in impairment losses of RMB1.6 million as a result of the repayment from a related party; and (iii) the decrease in finance leasing business.

Income Tax Credit/(Expense)

Due to the impact of deferred income tax arising from the impairment losses, our Group recorded income tax credit of RMB0.1 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: income tax expense of RMB2.6 million).

The Directors confirm that we have paid all relevant taxes and are not subject to any dispute or unresolved tax issues with the relevant tax authorities in the PRC.

(Loss)/Profit for the Period

Our Group recorded a loss of RMB1.5 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: profit of RMB7.0 million) mainly due to the decrease in our revenue.

Liquidity and Capital Resources

We primarily funded our operations and expansions through interest-bearing borrowings, our shareholders' equity and cash flows from our operations. Our liquidity and capital requirements primarily relate to our finance leasing and factoring businesses and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion.

Cash Flows

The following table sets forth a selected summary of our cash flow statement for the periods indicated:

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents at beginning of the period	71,299	98,602
Net cash flows used in operating activities	(14,634)	(13,721)
Net cash flows used in investing activities	(5,710)	(31,401)
Net cash flows generated from/(used in) financing activities	16,382	(22,406)
Net decrease in cash and cash equivalents	(3,962)	(67,528)
Effect of foreign exchange rate change	(87)	(137)
Cash and cash equivalents at end of the period	67,250	30,937

Net cash flows used in operating activities

For the six months ended 30 June 2020, we had net cash used in operating activities of RMB14.6 million, primarily as a result of operating profit before changes in working capital of RMB8.7 million and the negative effect of the changes in working capital, which consisted of: (i) the decrease in trade and other liabilities of RMB14.3 million as the result of the settlement of deposit of the completed finance lease transactions; (ii) the decrease in finance lease receivables of RMB47.0 million mainly due to the completion of the transactions; and (iii) the increase in loans and receivables of RMB49.4 million arising from the additional factoring transactions and sale-leaseback transactions.

Net cash flows used in investing activities

For the six months ended 30 June 2020, our net cash used in investing activities was RMB5.7 million mainly consisted of: (i) the payment of purchase of property and equipment of RMB3.3 million; (ii) the net amount of the finance investment in wealth management and listed securities of RMB3.5 million; and (iii) the advance to a related party of RMB33.8 million. Such payments were partially offset by the repayment from a related party of RMB34.7 million.

Net cash flows generated from/used in financing activities

For the six months ended 30 June 2020, our net cash flows generated from financing activities was RMB16.4 million consisted of: the bank borrowings of RMB102.0 million, partially offset by (i) the repayment to the bank of RMB83.5 million; and (ii) the payment of interest of RMB1.6 million.

Selected Items of the Statements of Financial Position

	As of 30 June 2020 RMB'000	As of 31 December 2019 RMB'000
Non-current assets		
Finance lease receivables	27,788	33,240
Loans and receivables	60,956	74,445
Trade and other receivables	275	291
Property and equipment	4,485	1,742
Intangible assets	573	619
Deferred tax assets	9,452	7,471
Total non-current assets	103,529	117,808
Current assets		
Finance lease receivables	107,098	151,059
Cash and cash equivalents	67,250	71,299
Trade and other receivables	1,798	1,717
Loans and receivables	131,605	75,247
Financial assets at fair value through profit or loss	27,562	24,013
Total current assets	335,313	323,335
Current liabilities		
Borrowings	101,193	82,734
Trade and other liabilities	22,763	33,246
Income tax payable	2,854	7,483
Lease liabilities	797	901
Total current liabilities	127,607	124,364
Net current assets	207,706	198,971
Non-current liabilities		
Lease liabilities	–	32,182
Trade and other liabilities	28,528	338
Total non-current liabilities	28,528	32,520
Net assets	282,707	284,259

Our net current assets increased mainly due to the increase in total current assets.

Our total current assets increased from RMB323.3 million as of 31 December 2019 to RMB335.3 million as of 30 June 2020 primarily due to (i) the increase in factoring receivables of RMB4.8 million; (ii) the increase in the carrying amount of receivables from finance lease services of RMB7.6 million; and (iii) the increase in the financial assets at fair value through profit or loss of RMB3.5 million. Such increases were partially offset by the decrease in cash and cash equivalents of RMB4.0 million.

Our total current liabilities increased from RMB124.4 million as of 31 December 2019 to RMB127.6 million as of 30 June 2020 mainly due to the increase in bank borrowings of RMB18.5 million, partially offset by (i) the decrease in income tax payable of RMB4.6 million; and (ii) the decrease in trade and other liabilities of RMB10.5 million.

Finance Lease Receivables

The net amount of our finance lease receivables decreased from RMB210.6 million as of 31 December 2019 to RMB163.6 million as of 30 June 2020 mainly due to the settlement of existing lease agreements. For the six months ended 30 June 2020, all of our finance lease receivables were charged by fixed interest rates.

Loans and Receivables

Our loans and receivables mainly consist of our sale-leaseback transactions and factoring transactions. We recorded loans and receivables of RMB203.4 million as of 30 June 2020 mainly consist of (i) receivables from sale-leaseback transaction of RMB166.6 million; and (ii) factoring receivables of RMB36.8 million.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with banks. Our cash and cash equivalents decreased from RMB71.3 million as of 31 December 2019 to RMB67.3 million as of 30 June 2020.

Trade and Other Liabilities

Our trade and other liabilities mainly include other guaranteed deposits from lessees, accrued staff costs, VAT payable, and other payables. The following table sets forth our trade and other liabilities as of the dates indicated:

	As of 30 June 2020 RMB'000	As of 31 December 2019 RMB'000
Guaranteed deposits from lessees	36,840	42,676
VAT payable and other tax payable	10,423	15,234
Accounts payable	548	2,590
Accrued staff costs	1,469	1,863
Receipts in advance	134	134
Accrued liabilities	340	881
Interest payable	120	231
Other payables	1,418	1,819
Total trade and other liabilities	51,292	65,428

Our trade and other liabilities decreased from RMB65.4 million as of 31 December 2019 to RMB51.3 million as of 30 June 2020 primarily due to (i) the decrease in our finance lease services resulting in the decrease in the guaranteed deposits from lessee of RMB5.8 million and VAT payable and other tax payable of RMB4.8 million; and (ii) the payment of account payable to supplier of RMB3.0 million.

Financial Assets at Fair Value through Profit or Loss

For the year ended 30 June 2020, our financial assets at fair value primarily consisted of wealth management products and listed securities.

We invest in wealth management products and listed securities with our laid-up capital, and the investment amount should match our capital structure in terms of scale and must not affect our ordinary business operations. All such financial assets, depending on their amounts and types, will be strictly reviewed and approved by our management at different levels. Our securities investment team conducts risk control and supervision over our investment to effectively manage the investment procedures. All these investment activities are subject to applicable laws and regulations. As of 30 June 2020, the balance of wealth management and listed securities were RMB17.9 million and RMB9.7 million, respectively.

Indebtedness

Interest-bearing Bank Borrowings

The following table sets forth our outstanding borrowings as of the dates indicated:

	As of 30 June 2020 RMB'000	As of 31 December 2019 RMB'000
Bank borrowings	101,193	82,734

As of 31 December 2019 and 30 June 2020, all the bank borrowings were guaranteed by Septwolves Group Holding, RMB3.2 million of which were also pledged by finance lease receivables (31 December 2019: RMB2.7 million).

Contingent Liabilities

As of 30 June 2020, Xiamen Byleasing has issued the performance bond in favor of Yongchun Quanyu tourism investment and Development Co., Ltd.* (永春縣全域旅遊投資開發有限責任公司) in the amount of RMB2,000,000 for guarantee of Qiaoxin's performance of its obligation of putting into production before 1 January 2021 in a property purchase contract.

Capital Expenditures

Our capital expenditures consist primarily of expenditures for the purchase of construction in progress and office equipment. The following table sets forth our capital expenditures for the periods indicated:

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
Capital expenditures	3,275	6

Capital Commitments

We did not have any significant capital commitment as of 30 June 2020.

Foreign Currency Exposure

Since our Group's business activities are solely operated in the PRC and denominated in RMB, the Directors consider that our Group's risk in foreign exchange is insignificant.

Off-balance Sheet Arrangements

As of the date of this announcement, we did not have any off-balance sheet arrangements.

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

On 23 April 2020, our Group established Qiaoxin (a wholly-owned subsidiary with a registered capital of RMB50.0 million) which is principally engaged in the the vinegar and wine production and food and drink wholesale and retail business in the PRC. As of 30 June 2020, Qiaoxin has not put into production.

Save as disclosed above, we did not have any material investments, acquisition or disposal for the six months ended 30 June 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As of 30 June 2020, we have no future plans for material investments or external financing.

CHARGE ON OUR GROUP'S ASSETS

As of 30 June 2020, our Group's finance lease receivables with an aggregate carrying amount of approximately RMB3.5 million (31 December 2019: RMB3.3 million) was pledged as collaterals for our Group's bank borrowings.

EMPLOYMENT AND EMOLUMENTS

As of the date of this announcement, our Group had 29 full-time employees, all of whom were based in China. Our employees' remuneration was paid with reference to the individual's responsibility and performance, as well as the actual practice of the Company. We have made contributions to social insurance funds, including pension plans, medical insurance, work-

related injury insurance, unemployment insurance, maternity insurance, and housing funds, for our employees. As of the date of this announcement, we had complied with all statutory applicable PRC laws and regulations in all material aspects.

We invest in continuing education and training programs for our management and other employees with a view to constantly upgrading their skills and knowledge. We also arrange for internal and external professional training programs to develop our employees' skills and knowledge. These programs include further educational studies, fundamental economics and finance knowledge and skills training, and professional development courses for our management personnel. New employees are required to attend induction training courses to ensure that they are equipped with the necessary skills to perform their duties.

Due to the impact of COVID-19 pandemic, we started the online staff training through the online platforms instead of on-site training. The Company has selected and shared some elite online courses which is related to our business with our staff for their self-development. All of these online courses are available to our employees at their own convenience.

PROSPECTS

Looking forward, China's economy will maintain a sound momentum in the long run amid emerging risks despite the "new normality" of economic growth from rapid to medium-to-low growth and operating pressures on enterprises, especially small and medium enterprises from the effort of eliminating excess capacity and deleveraging. The Company will continue to execute its principles of stable operation and risk prioritization and persist in its effort based on the established plan and objective. The market demand for high-quality manufacturing will lead to a greater number of lease demands. With the rise of new consumption, the Company will facilitate its business expansion and keep strengthening its business advantages in finance leasing business by fully utilizing our effective mechanism and sophisticated team. It will also expand its commercial factoring business to optimize the business structure and asset portfolio through a commercial factoring company established in China (Shanghai) Pilot Free Trade Zone. The Company will further broaden the financing channel and provide financing support for business development so as to promote the expansion and development of the Company. As of the date of this announcement, COVID-19 pandemic is still unpredictable. Despite of the successful control of COVID-19 pandemic in most regions of the PRC, the overseas situation of COVID-19 pandemic is still critical. We may confront an unpredictable situation in a long period. The Company will keep observing the trends of the industries that our clients involved in and further strengthening its risk control while supporting its customers in overcoming difficulties in order to develop our business under this situation. The Company strives to develop new businesses in the industries supported and promoted by the government and enhance its cooperation with existing customers to satisfy their funding needs during the epidemic while accomplishing its own development goals. We established Qiaoxin in Yongchun, Fujian province on 23 April 2020, with a view to engaging in the production and sale of edible vinegar in order to diversify our business.

As a type of seasoning with a long history, edible vinegar has a broad market in China and huge market potential. As one of the four most famous types of edible vinegar in China, Yongchun vinegar has its unique brewing techniques and flavors and its regional branding advantages. However, due to geographical limitation, its popularity across China has potential for enhancement. Given the low industry barrier, low brand concentration and relatively short period of industrialization of the edible vinegar industry in China, our Directors consider

that investment in the production and sale of Yongchun vinegar as our new business may bring additional profits to our shareholders through diversification of our business. We also expect that investment in Yongchun will promote the brand of our Group through driving the development of the local industries and supporting the local economy of Yongchun.

BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS

In order to continue the rapid growth, our Group continued the following strategies adopted during the Reporting Period:

Business objectives during the Reporting Period

Actual Business Progress during the Reporting Period

Continue to grow our finance leasing business

We conducted 52 new finance leasing transactions with an aggregate amount of finance lease receivables and receivables from sale-leaseback transaction of RMB87.8 million during the Reporting Period.

Further enlarge our capital base and diversify our funding sources

We primarily funded our operations and expansions through our shareholders' equity, bank borrowings, net proceeds from the share offer and cash flows from our operations. We will enlarge our capital base and diversify our funding sources to meet our businesses expansion and working capital needs as and when needed. During the Reporting Period, we maintained a healthy level of business scale and expansion and did not conduct any fund-raising activities.

Expand our customer base in additional industries and sectors with growth potential and increase market penetration within our target industries through focused sales and marketing efforts

We maintained our customer base during the Reporting Period. We are constantly evaluating relevant opportunities to extend our services to new industries and sectors with growth potential.

Expand our factoring services

We established a wholly-owned subsidiary, namely Shanghai Byleasing to serve quality SMEs in the Yangtze River Delta Region.

Enhance our corporate governance and strengthen our risk management efforts and internal controls

Following the launch of our "Finance Leasing Service System", we have been able to operate our business by running through the workflow of case opening, customer review, transaction confirmation and post-transaction management using the system. This enhanced the level of our information management in the workflow and provided technical support for the standardization of our workflow, and this in turn further improved our internal control management.

SHARE OPTION SCHEME

The share option scheme was adopted by the Company and approved by the shareholders of the Company on 20 June 2018 (the “**Share Option Scheme**”) for the primary purposes of enabling the Company to attract, retain and motivate talented participants and, to strive for future developments and expansion of our Group. Eligible participants of the Share Option Scheme include any employees, any executives, non-executive Directors (including independent non-executive Directors), consultants and advisors of our Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 20 June 2018 and will expire on 20 June 2028.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme(s) of the Company in aggregate shall not exceed 30% of the Shares in issue from time to time. In addition, unless a refreshment of the 10% limit mentioned below is approved by our shareholders pursuant to the GEM Listing Rules, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other scheme(s) of the Company shall not in aggregate exceed 10% of all the issued shares as of 18 July 2018, being the date of listing of the Shares on GEM. As at the date hereof, the options available for grant by the Company is in respect of 27,000,000 Shares, representing 10% of the total issued Shares of the Company.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each eligible person in any 12-month period shall not exceed 1% of the Shares in issue on the last day of such 12-month period, unless approved by the shareholders of the Company in accordance with the GEM Listing Rules.

An option shall be regarded as having been granted and accepted when the duplicate of the offer letter, comprising acceptance of the offer of the option, is duly signed by the grantee together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within a period of 30 days from the date of offer of the option, provided that no such offer may be accepted after the expiry of the scheme period or after the Share Option Scheme has been terminated.

There is no minimum period for which an option granted must be held before it can be exercised unless otherwise imposed by the Board.

The exercise prices of the options will be determined by the Board in its absolute discretion but shall not be less than whichever is the highest of: (i) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the offer date; (ii) the average closing price of our Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of our Shares on the offer date.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 30 June 2020, the Company has no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE

Our Group recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our shareholders. The Board and the management of the Company have adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules and reviewed its corporate governance policies and compliance from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions.

UPDATES ON DIRECTORS’ INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, there is no changes in information of the Director during the Reporting Period.

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions of the Company by the Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Code of Conduct**”) as its own code governing securities transactions of the Directors. Having made specific enquiry of all the Directors, all of them confirmed that they had fully complied with the required standard of dealings as set out in the Code of Conduct from for the Reporting Period.

Pursuant to Rule 5.66 of the Code of Conduct, the Directors have also requested all employee of the Company or director or employee of any subsidiary of the Company who, because of his office or employment in the Company or any subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealing by the Code of Conduct as if he were a Director.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2020.

EVENTS AFTER THE REPORTING PERIOD

There are no material events after the Reporting Period.

COMPETING INTERESTS

During the Reporting Period, none of the Director or the controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group or have any other conflicts of interest with our Group.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company appointed Changjiang Corporate Finance (HK) Limited (“**Changjiang Corporate Finance**”) as its compliance adviser. As informed by Changjiang Corporate Finance, neither Changjiang Corporate Finance nor any of its directors or employees or close associates, has or may have, any interest in the share capital of the Company or any member of our Group (including options or rights to subscribe for such securities) during the Reporting Period, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Changjiang Corporate Finance.

AUDIT COMMITTEE

The audit committee of the Company (“**Audit Committee**”) has reviewed and discussed with the management the accounting principles and practices adopted by the Company, internal controls and financial report matters, and the Company’s policies and practices on corporate governance. This unaudited Interim Results has been reviewed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The Interim Results announcement and the interim report are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.byleasing.com). The interim report for the six months ended 30 June 2020 containing all the information required by the GEM Listing Rules will be dispatched to shareholders of the Company in due course.

By order of the Board
Baiying Holdings Group Limited
Zhou Shiyuan
Chairman

Hong Kong, 12 August 2020

As at the date of this announcement, the executive Directors are Mr. Zhou Shiyuan, Mr. Chen Xinwei and Mr. Huang Dake; the non-executive Director is Mr. Ke Jinding; and the independent non-executive Directors are Mr. Chen Chaolin, Mr. Tu Liandong and Mr. Xie Mianbi.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least seven days from the date of its posting and on the Company’s website at www.byleasing.com.