

**Baiying Holdings Group Limited**  
**百應控股集團有限公司**

First Quarterly Report  
**2023**

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8525

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

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*This report, for which the directors (the "**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 and its subsidiaries (together, the "**Group**", "**we**" or "**our**"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Overview

We are a finance leasing company in Fujian Province primarily dedicated to providing equipment-based financing solutions and commercial factoring services to our customers through Xiamen Baiying Leasing Co., Ltd.\* (廈門百應融資租賃有限責任公司) (“**Xiamen Baiying**”). Our customers mainly include small and medium-sized enterprises, entrepreneurial individuals, and also reputable large enterprises. We have also expanded our business into other areas of business including the manufacture and sale of vinegar and other condiment products through Fujian Yongchun Qiaoxin Brewing Co., Ltd.\* (福建永春僑新釀造有限責任公司) (“**Qiaoxin**”), as well as packaging and paper products trading through Fujian Baiying Paper Co., Ltd.\* (福建百應紙業有限公司). As at 31 March 2023, Qiaoxin has started the orderly production and sales of its self-manufactured products under the “Qiaoxin 1950” brand, thereby launching retail products such as Yongchun Kung Fu vinegar, Qiaoxin 1950 aged vinegar, paleo brown vinegar and red yeast rice vinegar, and has actively developed and designed circulation products in order to enrich our product line. We plan to shape the Fujian region as our benchmark market, reaching customers through the sales channels of distributors, direct sales and e-commerce platforms by selling our products to wholesalers, large-scale chain supermarkets and hypermarkets, direct sales at factory stores and e-commerce platforms etc. Our packaging and paper products trading business has continued to operate steadily by engaging in the trading of paper products such as corrugated cardboard box, packaging paper and kraft paper etc.

Our revenue decreased from RMB10.3 million for the three months ended 31 March 2022 to RMB7.2 million for the three months ended 31 March 2023. We recorded a profit of RMB3.3 million for the three months ended 31 March 2022 and recorded a loss of RMB2.9 million for the three months ended 31 March 2023. The revenue generated from our financial services was RMB2.0 million for the three months ended 31 March 2023. The revenue generated from the sale of vinegar and other condiment products was RMB0.8 million for the three months ended 31 March 2023. The revenue generated from packaging and paper products trading was RMB4.4 million for the three months ended 31 March 2023.

\* For identification purpose only

## **Financial Services**

### **Finance Leasing Services**

We primarily offered two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to our customers. Revenue from finance leasing services was RMB0.9 million, accounting for 12.5% of our total revenue for the three months ended 31 March 2023.

### **Factoring Services**

We provided the factoring services to our customers through our subsidiary, Xiamen Baiying. For the three months ended 31 March 2023, the revenue from factoring services was RMB1.1 million, accounting for 15.3% of our total revenue.

### **Advisory Services**

For the three months ended 31 March 2023, we did not recognise any revenue from the provision of advisory services despite having provided services relating to one advisory service agreement involving a construction project with a total investment of approximately RMB1,142 million, primarily due to the settlement progress of the relevant construction project yet to meet the criteria for revenue recognition.

### **Manufacture and Sale of Vinegar and Other Condiment Products**

We commenced the manufacture and sale of vinegar and other condiment products through Qiaoxin since January 2022, and commenced the sale of our self-manufactured products in the fourth quarter of 2022. As at 31 March 2023, the revenue generated from the sale of vinegar and other condiment products were through the sale of vinegar and other condiment products.

For the three months ended 31 March 2023, the revenue from sales of vinegar and other condiment products was RMB0.7 million, accounting for 9.7% of our total revenue, and our sales commission relating to the sale of vinegar and other condiment products was RMB0.1 million, accounting for 1.4% of our total revenue.

The cost of sales of vinegar and other condiment products was RMB0.5 million for the three months ended 31 March 2023, which mainly consisted of procurement cost of RMB0.5 million.

For the three months ended 31 March 2023, the gross profit of sales of vinegar and other condiment products was RMB0.3 million.

### **Packaging and Paper Products Trading**

We conducted our packaging and paper products trading through Fujian Baiying since January 2021. For the three months ended 31 March 2023, the products we sold to our customers were packaging paper and all of our customers were either in the paper industry or were trading companies.

For the three months ended 31 March 2023, the revenue from sales of packaging and paper products was RMB4.4 million, accounting for 61.1% of our total revenue for the three months ended 31 March 2023.

The cost of sales of packaging paper was RMB4.3 million for the three months ended 31 March 2023, which mainly consisted of procurement cost of RMB4.3 million.

For the three months ended 31 March 2023, the gross profit of packaging and paper products trading business was RMB0.1 million.

## **Financial Overview**

### **Results of Operations**

#### **Revenue**

Our revenue consists of interest income, income from sales of packaging and paper products, and income from sales of vinegar and other condiment products during the three months ended 31 March 2023. Our revenue decreased from RMB10.3 million for the three months ended 31 March 2022 to RMB7.2 million for the three months ended 31 March 2023 mainly due to the decrease in interest income for financial services.

#### **Other Net Income/Loss**

Our other net income increased from a net loss of RMB0.6 million for the three months ended 31 March 2022 to a net income of RMB0.4 million for the three months ended 31 March 2023 primarily due to the decrease in net loss from financial assets at fair value through profit or loss of RMB0.8 million.

#### **Interest Expense**

Our interest expenses decreased from RMB0.8 million for the three months ended 31 March 2022 to RMB0.5 million for the three months ended 31 March 2023 mainly due to the decrease in the average monthly balance of loans.

#### **Operating Expense**

Our operating expenses remained relatively stable at RMB2.3 million for the three months ended 31 March 2022 and ended 31 March 2023.

#### **Sales Expense**

Our sales expense increased from RMB0.2 million for the three months ended 31 March 2022 to RMB1.8 million for the three months ended 31 March 2023 mainly due to i) the increase in staff cost of RMB0.9 million; ii) the increase in business promotion expenses of RMB0.3 million; and iii) the increase in service fees of RMB0.1 million, which primarily consisted of entrance fees to supermarket.



### **Impairment Losses (Charged)/Written Back**

Our impairment losses written back changed from RMB4.7 million for the three months ended 31 March 2022 to an impairment loss charged of RMB0.8 million for the three months ended 31 March 2023, primarily due to the combined effect of i) the increase in provision of impairment due to the addition of two new factoring agreements and ii) the reversal of impairment loss upon partial recovery of certain receivables, which has been overdue for more than 90 days.

### **Income Tax Expense**

Our income tax expense decreased from RMB2.0 million for the three months ended 31 March 2022 to RMB0.3 million for the three months ended 31 March 2023 mainly due to loss before taxation incurred for the three months ended 31 March 2023.

### **(Loss)/Profit for the Period**

Our profit for the three months ended 31 March 2022 was RMB3.3 million and we recorded a loss of RMB2.9 million for the three months ended 31 March 2023, which was mainly due to i) the decrease in revenue of the financial service business and ii) the increase in sales expense of the vinegar and other condiment products business.

### **Material Investments, Acquisitions and Disposals**

We did not have any material investments, acquisition or disposal for the three months ended 31 March 2023.

## Prospects

Since the establishment of Qiaoxin in Yongchun County, Fujian Province on 23 April 2020, we have launched products under our brand “Qiaoxin 1950” and a variety of retail products. We initially marketed our products in the Fujian region and gradually expanded its reach to the national market. As an important measure of our business strategy, we have laid a solid foundation for high-quality products by establishing production plants, improving production facilities, cultivating R&D talents, brand building, operating system support, and sales channels development. In the past quarter, the Group focused primarily on the expansion of sales channels. Previously, our Group had continued to step up its investments after we successfully won the bid for the land use rights of a piece of land in Yongchun County with a total site area of approximately 71,941 sq.m. and the structures erected thereon, which will be transformed and renovated for use as a new monascus wine and vinegar production and storage site. Qiaoxin had also commenced full production of several types of products. Our products have been launched into local markets through various sales channels.

As a condiment with a long history, our Group believes that table vinegar has a broad market and huge market potential in China. Yongchun aged vinegar, one of the four famous vinegar products in China, is made from a distinct brewing process and has a unique flavour. It has its own advantages as a regional brand. However, due to geographical limitations, the awareness of Yongchun aged vinegar in China needs to be raised. In view of the low barriers of entry in China’s vinegar industry, low brand concentration and short industrialisation process, our Directors believe that the production and sale of Yongchun aged vinegar will become and remain a crucial segment of our Group’s business and will be integral in bringing greater returns to our shareholders.

Looking forward to the future, building on the solid foundations developed so far, our Group is confident that Qiaoxin's production capacity will gradually be fully utilised in order to maximise our production output. Our Group is also keen on improving the diversity of our product offerings by launching more condiment products to target different customer audiences. It further strives to improve its geographical reach by further develop its distribution networks through cooperating with more sales channels such as domestic retailers, large supermarkets and online platforms.

On the other hand, in view of the publication and tightening of industrial regulatory policies and adjustment of monetary and credit policies, financial leasing as our primary business continues to face substantial restrictions and challenges. Despite steady performance of the business, business progress has stagnated, and hence our Group has slowed down the development and investment in our finance leasing business. Our Company will, as always, adhere to the principle of prudent operation and risk prioritisation in providing business plans that meet customer needs and ensure its own interest and capital security in this complex environment. In order to control our business risk to the furthest extent, we will optimize our business process, increase our pre-investment due diligence efforts, improve post-lease management, actively handle risky projects, and explore new business opportunities with high potential and low or controllable risk, in order to strive for maximum benefit for our Company.

In addition, we stepped into the fields of sale and supply chain of paper products in 2021. We cooperated with high-quality suppliers and made use of their resource advantages and industry experience to maneuver the new fields. The packaging and paper products trading business has brought certain benefits to the Group as a whole, particularly in creating synergy with our financial leasing business. Looking forward to 2023, we will pay continuous attention to the performance of the paper sector and make adjustments in a timely manner, with the ultimate goal of maximizing returns to our Group and our shareholders.

With the relaxation of COVID-19 related restrictions and policies in the PRC, we believe that the outlook of all of our businesses in the remaining quarters of 2023 is optimistic, and we will aim to capitalise on whatever opportunities available as we think fit in order to improve our Group's performance and returns.

## OTHER INFORMATION

### 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 of the Directors (the “**Board**”) and the management of the Company have adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules and reviewed its corporate governance policies and compliance from time to time. During the three months ended 31 March 2023 (the “**Reporting Period**”), the Company has fully complied with the Code Provisions.

### Audit Committee

The audit committee of the Company (the “**Audit Committee**”) consists of two independent non-executive Directors, namely Mr. Tu Liandong (the chairman of the Audit Committee) and Mr. Chen Chaolin, and one non-executive Director, namely Mr. Ke Jinding. The three members are experienced in reviewing and analysing financial information and possess appropriate accounting and related financial management expertise. Therefore, the Company complies with the requirement under Rule 5.28 of the GEM Listing Rules.

The 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 financial statements for the three months ended 31 March 2023, together with this report has been reviewed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

### **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 for the Reporting Period.

Pursuant to Rule 5.66 of the Code of Conduct, the Directors have also requested any 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 was 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.

## 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 of the Company (the “**Share(s)**”) 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.

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 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 31 March 2023, the Company has no outstanding share option under the Share Option Scheme.

### **Dividend**

The Board does not propose or recommend the distribution of any dividend for the three months ended 31 March 2023.

### **Competing Business**

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

### **Compliance with Non-competition Undertaking**

Each of Septwolves Holdings Limited, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming have given non-competition undertakings to the Company on 20 June 2018, details of the non-competition undertakings were set out in the Prospectus.

The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied with by each of Septwolves Holdings Limited, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming.

### **Continuing Disclosure Requirements under the GEM Listing Rules**

As of 31 March 2023, the Directors have confirmed that they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 or 17.43 of the GEM Listing Rules.

### **Directors' and Chief Executives' Interests and Short Positions in Securities**

As of 31 March 2023, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:



Name	Position	Nature of interest	Number of Shares <sup>(1)</sup>	Percentage in the total issued share capital
Mr. Ke Jinding <sup>(2)</sup>	Non-executive Director	Interest in controlled corporation	37,968,750 Shares (L)	14.06%
Mr. Huang Dake <sup>(3)</sup>	Executive Director	Interest in controlled corporation	12,430,934 Shares (L)	4.60%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares or the shares in the share capital of the relevant associated corporation.
- (2) Zijiang Capital Limited ("**Zijiang Capital**") is directly interested in approximately 14.06% of the issued Shares. The disclosed interest represents the interest in the Company held by Zijiang Capital, which is in turn held as to 40%, 40% and 20% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Therefore, Mr. Ke Jinding is deemed to be interested in Zijiang Capital's interest in the Company by virtue of the SFO.
- (3) HDK Capital Limited ("**HDK Capital**") is directly interested in approximately 4.60% of the issued Shares. The disclosed interest represents the interest in the Company held by HDK Capital, which is wholly owned by Mr. Huang Dake. Therefore, Mr. Huang Dake is deemed to be interested in HDK Capital's interest in the Company by virtue of the SFO.

Save as disclosed above, as at 31 March 2023, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## Interests and Short Positions of Substantial Shareholders

As at 31 March 2023, the persons or corporations (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholders	Nature of interest	Number of Shares <sup>(1)</sup>	Percentage in the total issued share capital
Mr. Zhou Yongwei <sup>(2)</sup>	Interest in controlled corporation	124,143,908 Shares (L)	45.98%
Septwolves Holdings Limited	Beneficial owner	118,968,750 Shares (L)	44.06%
Zijiang Capital	Beneficial owner	37,968,750 Shares (L)	14.06%
Mr. Ke Shuiyuan <sup>(3)</sup>	Interest in controlled corporation	37,968,750 Shares (L)	14.06%
Shengshi Capital Limited	Beneficial owner	15,187,500 Shares (L)	5.63%
Mr. Wong Po Nei <sup>(4)</sup>	Interest in controlled corporation	15,187,500 Shares (L)	5.63%

## Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Shares.
- (2) The disclosed interest represents the interest in the Company held by Septwolves Holdings Limited (“**Septwolves Holdings**”) and SEPTWOLVES INTERNATIONAL GROUP LIMITED respectively. Septwolves Holdings is approximately 37.06%, 31.47% and 31.47% owned by Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming, respectively. SEPTWOLVES INTERNATIONAL GROUP LIMITED is approximately 82.86% indirectly owned by Fujian Septwolves Group Co., Ltd.\* (福建七匹狼集團有限公司), which in turn is approximately 37.82% owned by Mr. Zhou Yongwei. Therefore, Mr. Zhou Yongwei is deemed to be interested in Septwolves Holdings’ and SEPTWOLVES INTERNATIONAL GROUP LIMITED’s respective interest in the Company by virtue of the SFO.
- (3) The disclosed interest represents the interest in the Company held by Zijiang Capital, which is in turn held as to 40%, 40% and 20% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Therefore, Mr. Ke Shuiyuan is deemed to be interested in Zijiang Capital’s interest in the Company by virtue of the SFO.
- (4) The disclosed interest represents the interest in the Company held by Shengshi Capital Limited (“**Shengshi Capital**”), which is wholly owned by Mr. Wong Po Nei. Therefore, Mr. Wong Po Nei is deemed to be interested in Shengshi Capital’s interest in the Company by virtue of the SFO.

Save as disclosed above, as of 31 March 2023, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2023 (Expressed in Renminbi)

	Note	Three months ended 31 March	
		2023	2022
		RMB	RMB
		(Unaudited)	(Unaudited)
Sales of products		5,174,125	6,127,054
Interest income		2,024,929	4,215,519
<b>Revenue</b>	3	<b>7,199,054</b>	10,342,573
Other net income/(loss)		429,398	(587,844)
Cost of sales		(4,780,960)	(5,923,290)
Interest expense		(473,924)	(799,111)
Operating expense		(2,252,019)	(2,273,385)
Sales expense		(1,759,987)	(205,272)
Impairment losses (charged)/written back		(783,987)	4,685,975
Share of losses of an associate		(165,895)	–
<b>(Loss)/profit before taxation</b>	4	<b>(2,588,320)</b>	5,239,646
Income tax expense	5	(270,214)	(1,988,049)
<b>(Loss)/profit for the period</b>		<b>(2,858,534)</b>	3,251,597
<b>Attributable to:</b>			
Equity shareholders of the Company		(2,857,993)	3,157,715
Non-controlling interests		(541)	93,882
<b>(Loss)/profit for the period</b>		<b>(2,858,534)</b>	3,251,597
<b>(Loss)/profit per share</b>			
Basic and diluted (RMB cents)	6	(1.1)	1.2

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2023 (Expressed in Renminbi)

	<b>Three months ended 31 March</b>	
	<b>2023</b>	2022
	<b>RMB</b>	RMB
	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/profit for the period</b>	<b>(2,858,534)</b>	3,251,597
<b>Other comprehensive income for the period (after tax)</b>		
Item that may be classified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the mainland China	<b>11,370</b>	38,161
<b>Total comprehensive (loss)/profit for the period</b>	<b>(2,847,164)</b>	3,289,758
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(2,846,623)</b>	3,195,876
Non-controlling interests	<b>(541)</b>	93,882
<b>Total comprehensive (loss)/profit for the period</b>	<b>(2,847,164)</b>	3,289,758

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi (“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.

The Company’s issued shares have been listed on the GEM of the Stock Exchange since 18 July 2018 (the “**Listing**”).

## 2 Basis of Preparation

This unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the GEM Listing Rules.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2023 have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

## 2 Basis of Preparation (continued)

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated financial statements of the Group for the year ended 31 December 2022 except for the adoption of the standards and amendments issued by the Hong Kong Institute of Certified Public Accountants mandatory for the annual periods beginning on 1 January 2023. The effect of the adoption of these standards and amendments is not material on these unaudited condensed consolidated financial statements.

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis except that financial assets measured at fair value through profit or loss are stated at fair value.

The preparation of unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

### 3 Revenue and Segment Reporting

#### (a) Disaggregation of Revenue

The principal activities of the Group are providing equipment based financing solutions, factoring services, value-added advisory services to customers, sales of packaging and paper products and manufacture and sale of vinegar and other condiment products in the PRC. The amount of each significant category of revenue recognised during the three months ended 31 March 2023 and 2022 is as follows:

	<b>Three months ended 31 March</b>	
	<b>2023</b>	2022
	<b>RMB</b>	RMB
	<b>(Unaudited)</b>	(Unaudited)
<b>Sales of products arising from</b>		
Sales of packaging and paper products	<b>4,396,317</b>	6,065,289
Sales of vinegar and other condiment products	<b>777,808</b>	61,765
	<b>5,174,125</b>	6,127,054
<b>Interest income arising from</b>		
Finance leases receivables	<b>57,823</b>	475,919
Receivables from sale-leaseback transaction under loans and receivables	<b>806,451</b>	3,124,558
Factoring receivables	<b>1,160,655</b>	615,042
	<b>2,024,929</b>	4,215,519
	<b>7,199,054</b>	10,342,573



### 3 Revenue and Segment Reporting (continued)

#### (a) Disaggregation of Revenue (continued)

- (i) The Group has one customer for the period ended 31 March 2023, with whom transactions have exceeded 10% of the Group's aggregate revenue. Such revenue from the customers is set out below:

	Three months ended 31 March	
	2023	2022
	RMB	RMB
Customer A	2,330,497	3,168,098
Customer B	*	1,837,959

Note:\* Revenue from the customer was less than 10% for the three months ended 31 March 2023.

#### (b) Segment Reporting

The Group manages its business by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Financial services segment: providing financial leasing service, factoring service and advisory service in the People's Republic of China (the "PRC"). Income of factoring service takes the major portion of financial services for the three months ended 31 March 2023.

### 3 Revenue and Segment Reporting (continued)

#### (b) Segment Reporting (continued)

- Packaging and paper products trading segment: starting from the year 2021, the Group set up Fujian Baiying Paper Co., Ltd. (“**Baiying Paper**”) to diversify the business of the Group. The main business of Baiying Paper is sales of packaging and paper products in the PRC.
- Manufacture and sale of vinegar and other condiment products segment: starting from the year 2021, the Group set up Fujian Yongchun Qiaoxin Brewing Co., Ltd. (“**Qiaoxin**”) to diversify the business of the Group. The main business of Qiaoxin is manufacturing and selling of vinegar and other condiment products in the PRC.

#### (i) Segment Results

For the purposes of assessing segment performance and allocating resources between segments, the Group’s senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are separately recognised to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “profit/(loss) for the period”. To arrive at profit/(loss) for the period the Group’s earnings are further adjusted for items, such as impairment losses and operating expense.

### 3 Revenue and Segment Reporting (continued)

#### (b) Segment Reporting (continued)

##### (i) Segment Results (continued)

Disaggregation of revenue by the timing of revenue recognition, as well as information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below.

For the three months ended 31 March 2023	Financial services RMB	Packaging and paper products trading RMB	Manufacture and sale of vinegar and other condiment products RMB	Total RMB
<b>Over time:</b>				
Interest income	2,024,929	-	-	2,024,929
<b>Point in time:</b>				
Sales of products	-	4,396,317	777,808	5,174,125
<b>Reportable segment revenue</b>	<b>2,024,929</b>	<b>4,396,317</b>	<b>777,808</b>	<b>7,199,054</b>
Other net income	314,401	26,110	88,887	429,398
Cost of sales	-	(4,298,910)	(482,050)	(4,780,960)
Interest expense	(458,772)	-	(15,202)	(473,924)
Operating expense	(519,733)	(61,100)	(1,671,186)	(2,252,019)
Sales expense	-	(33,003)	(1,726,984)	(1,759,987)
Impairment losses charged	(770,702)	(13,285)	-	(783,987)
Share of losses of an associate	(165,895)	-	-	(165,895)
<b>Reportable segment profit/(loss) before taxation</b>	<b>424,278</b>	<b>16,129</b>	<b>(3,028,727)</b>	<b>(2,588,320)</b>
Income tax (expense)/credit	(301,786)	(4,028)	35,600	(270,214)
<b>Reportable segment profit/(loss) for the period</b>	<b>(122,492)</b>	<b>12,101</b>	<b>(2,993,127)</b>	<b>(2,858,534)</b>

### 3 Revenue and Segment Reporting (continued)

#### (b) Segment Reporting (continued)

##### (i) Segment Results (continued)

For the three months ended 31 March 2022	Financial services RMB	Packaging and paper products trading RMB	Manufacture and sale of vinegar and wine products RMB	Total RMB
<b>Over time:</b>				
Interest income	4,215,519	–	–	4,215,519
<b>Point in time:</b>				
Sales of products	–	6,065,289	61,765	6,127,054
<b>Reportable segment revenue</b>	4,215,519	6,065,289	61,765	10,342,573
Other net (loss)/income	(599,301)	2,024	9,433	(587,844)
Cost of sales	–	(5,873,178)	(50,112)	(5,923,290)
Interest expense	(799,111)	–	–	(799,111)
Operating expense	(1,345,868)	(72,117)	(855,400)	(2,273,385)
Sales expense	–	(32,151)	(173,121)	(205,272)
Impairment losses written back	4,492,187	193,788	–	4,685,975
<b>Reportable segment profit/ (loss) before taxation</b>	5,963,426	283,655	(1,007,435)	5,239,646
Income tax expense	(1,918,249)	(69,800)	–	(1,988,049)
<b>Reportable segment profit/ (loss) for the period</b>	4,045,177	213,855	(1,007,435)	3,251,597

#### 4 Profit/(Loss) before Taxation

Loss before taxation is arrived at after charging:

	<b>Three months ended 31 March</b>	
	<b>2023</b>	2022
	<b>RMB</b>	RMB
	<b>(Unaudited)</b>	(Unaudited)
<b>(a) Staff cost</b>		
Salaries, wages and other benefits	<b>1,916,513</b>	936,178
Contributions to defined contribution retirement plan	<b>105,584</b>	48,987
<b>Subtotal</b>	<b>2,022,097</b>	985,165
<b>(b) Other items</b>		
Depreciation charge		
– owned property, plant and equipment	<b>237,011</b>	232,185
– right-of-use assets	<b>158,048</b>	200,907
Amortisation cost of intangible assets	<b>136,208</b>	22,595
Legal expenses	<b>175,774</b>	87,426
<b>(c) Impairment losses charged/(written back)</b>		
Finance Lease receivables	<b>(2,110,665)</b>	(1,620,013)
Trade and other receivables	<b>(95,759)</b>	(187,142)
Loans and receivables	<b>2,990,411</b>	(2,878,820)
	<b>783,987</b>	(4,685,975)

## 5 Income Tax Expense

	<b>Three months ended 31 March</b>	
	<b>2023</b>	2022
	<b>RMB</b>	RMB
	<b>(Unaudited)</b>	(Unaudited)
<b>Current tax</b>		
– PRC Enterprise Income Tax (“EIT”) Provision for the period	<b>226,234</b>	301,034
<b>Deferred income tax</b>		
– Reversal of temporary differences	<b>43,980</b>	1,687,015
	<b>270,214</b>	1,988,049

Notes:

- (i) Pursuant to the rules and regulation of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI, respectively.
- (ii) No provision for Hong Kong Profits Tax has been made for the Company and Byleasing Capital Limited (“Byleasing Capital”) as the Company and Byleasing Capital had not derived any income subject to Hong Kong Profits Tax during the period.

## **6 (Loss)/Earnings Per Share**

### **(a) Basic (Loss)/Earnings Per Share**

The calculation of basic earnings per share is based on the loss for the three months ended 31 March 2023 of RMB2,857,993 (profit for the three months ended 31 March 2022: RMB3,157,715) and the weighted average of 270,000,000 ordinary shares in issue (three months ended 31 March 2022: 270,000,000 shares in issue) during the three months ended 31 March 2023.

### **(b) Diluted (Loss)/Earnings Per Share**

There were no potential dilutive ordinary shares outstanding during the three months ended 31 March 2023 and 2022, and hence the diluted (loss)/earnings per share are the same as basic (loss)/earnings per share.

## **7 Dividends**

No dividends had been paid to the equity shareholders of companies now comprising the Group during the three months ended 31 March 2023 (three months ended 31 March 2022: nil).

## 8 Unaudited Condensed Consolidated Statement of Changes in Equity For the three months ended 31 March 2023

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Capital reserve	Surplus reserve	Exchange reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
<b>Balance at 1 January 2022</b>	2,301,857	238,097,760	(6,640,176)	9,364,503	1,806,670	34,466,476	279,397,090	2,231,859	281,628,949
<b>Changes in equity for the three months ended 31 March 2022</b>									
Profit for the period	-	-	-	-	-	3,157,715	3,157,715	93,882	3,251,597
Other comprehensive income	-	-	-	-	38,161	-	38,161	-	38,161
Total comprehensive income	-	-	-	-	38,161	3,157,715	3,195,876	93,882	3,289,758
<b>Balance at 31 March 2022 (Unaudited)</b>	2,301,857	238,097,760	(6,640,176)	9,364,503	1,844,831	37,624,191	282,592,966	2,325,741	284,918,707
<b>Balance at 1 January 2023</b>	2,301,857	238,097,760	(6,640,176)	9,364,503	1,587,596	8,075,171	252,786,711	2,301,901	255,088,612
<b>Changes in equity for the three months ended 31 March 2023</b>									
Profit for the period	-	-	-	-	-	(2,857,993)	(2,857,993)	(541)	(2,858,534)
Other comprehensive income	-	-	-	-	11,370	-	11,370	-	11,370
Total comprehensive income	-	-	-	-	11,370	(2,857,993)	(2,846,623)	(541)	(2,847,164)
<b>Balance at 31 March 2023 (Unaudited)</b>	2,301,857	238,097,760	(6,640,176)	9,364,503	1,598,966	5,217,178	249,940,088	2,301,360	252,241,448