

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

Interim Report

**2023**

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8525

## **CHARACTERISTICS OF GEM**

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# Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Baiying Paper”	Fujian Baiying Paper Co., Ltd.* (福建百應紙業有限公司), a company established in the PRC on 13 January 2021, a subsidiary of the Company
“Board” or “Board of Directors”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to “China” and “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“Company”	Baiying Holdings Group Limited (百應控股集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 5 June 2017, the Shares of which are listed on GEM (stock code: 8525)
“Director(s)”	the director(s) of the Company
“Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Fujian Province” or “Fujian”	Fujian Province (福建省), a province located in the southeastern coast of China
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”, “we”, “us” or “our”	the Company and its subsidiaries from time to time
“HDK Capital”	HDK Capital Limited, a company incorporated in the BVI with limited liability on 26 May 2017
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Qiaoxin”	Fujian Yongchun Qiaoxin Brewing Co., Ltd.* (福建永春僑新釀造有限責任公司), a company established in the PRC on 23 April 2020, an indirectly wholly-owned subsidiary of the Company
“Reporting Period”	the period for the six months ended 30 June 2023
“RMB”	Renminbi, the lawful currency for the time being of the PRC

“Septwolves Holdings”	Septwolves Holdings Limited, a company incorporated in the BVI with limited liability on 26 May 2017
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai Baiying”	Shanghai Baiying Brewing Co., Ltd.* (上海百應釀造有限公司), a company established in the PRC with limited liability on 11 January 2019, an indirectly wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shengshi Capital”	Shengshi Capital Limited, a company incorporated in the BVI with limited liability on 26 May 2017
“SMEs”	small and medium-sized enterprise(s), as defined in the Statistics on the Measures for Classification of Large, Medium, Small and Miniature Enterprises (2017) (統計上大中小微型企業劃分辦法(2017))
“VAT”	value-added tax
“Xiamen Baiying”	Xiamen Baiying Leasing Co., Ltd.* (廈門百應融資租賃有限責任公司), a company established in the PRC with limited liability on 9 March 2010, an indirectly wholly-owned subsidiary of the Company
“Zijiang Capital”	Zijiang Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017

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

# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Zhou Shiyuan (*Chairman*)  
Mr. Chen Xinwei  
Mr. Huang Dake

### Non-executive Director

Mr. Ke Jinding

### Independent Non-executive Directors

Mr. Chen Chaolin  
Mr. Tu Liandong  
Mr. Xie Mianbi

## AUDIT COMMITTEE

Mr. Tu Liandong (*Chairman*)  
Mr. Chen Chaolin  
Mr. Ke Jinding

## REMUNERATION COMMITTEE

Mr. Chen Chaolin (*Chairman*)  
Mr. Xie Mianbi  
Mr. Huang Dake

## NOMINATION COMMITTEE

Mr. Zhou Shiyuan (*Chairman*)  
Mr. Tu Liandong  
Mr. Xie Mianbi

## JOINT COMPANY SECRETARIES

Ms. Yang Lexing  
Ms. Ng Ka Man (*ACG, HKACG*)

## AUTHORISED REPRESENTATIVES

Mr. Huang Dake  
Ms. Ng Ka Man

## REGISTERED OFFICE

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

## HEADQUARTERS/PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit 2, 18/F  
No. 77, Tai Nan Road  
Siming District, Xiamen  
Fujian Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

## COMPANY WEBSITE

[www.byleasing.com](http://www.byleasing.com)

## STOCK CODE

8525

### AUDITORS

Moore Stephens CPA Limited  
*Registered Public Interest Entity Auditor*

### LEGAL ADVISERS TO THE COMPANY

Llinks Law Offices LLP  
*(as to Hong Kong laws)*  
Beijing Yingke Law Firm (Xiamen) Office  
*(as to PRC laws)*

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### PRINCIPAL BANKERS

Agricultural Bank of China (Dongdu Branch)  
No. 77 Dongdu Road  
Siming District, Xiamen  
Fujian Province  
PRC

China Everbright Bank (Xiamen Branch)  
China Everbright Bank Building  
No. 81 Hubin South Road  
Siming District, Xiamen  
Fujian Province  
PRC

Bank of China (Hong Kong) Limited  
1 Garden Road  
Hong Kong

# Management Discussion and Analysis

## Business Overview

We are a finance leasing company in Fujian Province primarily 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 sources of payment. Our customers are mainly SMEs, entrepreneurial individuals, and reputable large enterprises. While our Group remains focused in developing the finance leasing business and factoring business, we also actively seek opportunities to expand into other areas of business.

On 23 April 2020, we established Qiaoxin, a vinegar manufactory in the PRC, to diversify our business. As at 30 June 2023, Qiaoxin has started the orderly production and sales of our self-manufactured products under the “Qiaoxin 1950” brand, thereby launching retails 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 establish our benchmark market in the Fujian region. Our strategies of reaching customers include selling our products to wholesalers, large-scale chain supermarkets and hypermarket. To further approach potential customers, we also adopt direct sales at factory stores and e-commerce platforms, etc.

On 13 January 2021, we also established Baiying Paper to expand our business portfolio into the packaging and paper products trading industry. 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. These new businesses will not affect our financial services business.

We served 164 customers located in 20 provinces in China (excluding the retail customers from our sale of vinegar and other condiment products) for the six months ended 30 June 2023. Our revenue decreased from RMB17.9 million for the six months ended 30 June 2022 to RMB16.9 million for the six months ended 30 June 2023. We recorded a loss of RMB13.4 million for the six months ended 30 June 2022 and a loss of RMB7.5 million for the six months ended 30 June 2023. The revenue generated from our financial services was RMB4.3 million for the six months ended 30 June 2023. The revenue generated from the sale of vinegar and other condiment products was RMB2.1 million for the six months ended 30 June 2023. The revenue generated from packaging and paper products trading was RMB10.4 million for the six months ended 30 June 2023.

## Financial Services

### *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 to satisfy the need of our customers to 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 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 we lease the sold assets back. We usually enter into financial leasing agreements with our customers which set out major terms such as the leased asset concerned, purchase price of the leased asset, term of the lease, the payment schedule of the lease payments, security deposit (if any), management fee (if any), transfer of title clause and insurance for the leased asset, which will usually be paid by our customers. In addition, depending on the credit profile of our customers, we may require our customers to provide other collaterals, such as immovable property. For the six months ended 30 June 2023, our revenue from finance leasing services was RMB1.7 million, accounting for 10.1% 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 2023	For the year ended 31 December 2022
Average monthly balance of interest-generating receivables arising from finance leasing services ( <i>RMB'000</i> )		
– Direct finance leasing	2,932	9,214
– Sale-leaseback	32,936	60,123
Range of interest rate per annum		
– Direct finance leasing	10.5% to 13.1%	9.5% to 22.3%
– Sale-leaseback	9.5% to 16.0%	9.5% to 22.4%

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

	As of 30 June 2023 <i>RMB'000</i>	As of 31 December 2022 <i>RMB'000</i>
Neither overdue nor credit-impaired	1,437	3,939
Overdue but not credit-impaired		
– Overdue within 30 days (inclusive)	–	1,712
– Overdue 30 to 90 days (inclusive)	102	180
– Overdue above 90 days	–	–
Overdue and credit-impaired	41,994	42,471
Net amount of finance lease receivables	43,533	48,302
Allowances for impairment losses	(27,969)	(28,465)
Carrying amount of finance lease receivables	15,564	19,837

Our net amount of finance lease receivables classified as overdue and credit-impaired decreased from RMB42.5 million as of 31 December 2022 to RMB42.0 million as of 30 June 2023 mainly because of the collection of finance lease receivables of RMB0.5 million from 3 default agreements.

## Management Discussion and Analysis

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

	<b>As of 30 June 2023 RMB'000</b>	As of 31 December 2022 RMB'000
Neither overdue nor credit-impaired	<b>26,460</b>	34,183
Overdue but not credit-impaired		
– Overdue within 30 days (inclusive)	<b>236</b>	276
– Overdue 30 to 90 days (inclusive)	–	729
– Overdue above 90 days	–	–
Overdue and credit-impaired	<b>9,901</b>	11,731
Receivables from sale-leaseback transaction	<b>36,597</b>	46,919
Allowances for impairment losses	<b>(6,562)</b>	(7,806)
Carrying amount of receivables from sale-leaseback transaction	<b>30,035</b>	39,113

Our receivables from sale-leaseback transaction classified as overdue and credit-impaired decreased from RMB11.7 million as of 31 December 2022 to RMB9.9 million as of 30 June 2023 mainly because of the repayment of RMB1.3 million from a default agreement.

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:

	<b>As of 30 June 2023</b>			<b>Total RMB'000</b>
	<b>Stage I 12-month ECL RMB'000</b>	<b>Stage II Lifetime ECL RMB'000</b>	<b>Stage III Lifetime ECL RMB'000</b>	
Net amount of finance lease receivables	<b>1,437</b>	<b>102</b>	<b>41,994</b>	<b>43,533</b>
Allowances for impairment losses	<b>(111)</b>	<b>(17)</b>	<b>(27,841)</b>	<b>(27,969)</b>
Carrying amount of finance lease receivables	<b>1,326</b>	<b>85</b>	<b>14,153</b>	<b>15,564</b>
Receivables from sale-leaseback transaction	<b>26,696</b>	–	<b>9,901</b>	<b>36,597</b>
Allowances for impairment losses	<b>(985)</b>	–	<b>(5,577)</b>	<b>(6,562)</b>
Carrying amount of receivables from sale-leaseback transaction	<b>25,711</b>	–	<b>4,324</b>	<b>30,035</b>

## Management Discussion and Analysis

	As of 31 December 2022			
	Stage I	Stage II	Stage III	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Net amount of finance lease receivables	5,651	180	42,471	48,302
Allowances for impairment losses	(297)	(29)	(28,139)	(28,465)
Carrying amount of finance lease receivables	5,354	151	14,332	19,837
Receivables from sale-leaseback transaction	34,459	729	11,731	46,919
Allowance for impairment losses	(1,043)	(119)	(6,644)	(7,806)
Carrying amount of receivables from sale-leaseback transaction	33,416	610	5,087	39,113

### Factoring Services

In addition to finance leasing services, we also provided factoring services to our customers. Factoring service is primarily used by our customers who need working capital to fund their business operations.

For the six months ended 30 June 2023, our revenue from factoring services was RMB2.6 million, accounting for 15.2% 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 2023	For the year ended 31 December 2022
Average monthly balance of factoring receivables (RMB'000)	92,786	76,159
Range of interest rate	8.0%	8.0% to 9.0%

## Management Discussion and Analysis

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

	As of 30 June 2023			
	Stage I	Stage II	Stage III	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Factoring receivables	75,812	35,963	1,983	113,758
Allowances for impairment losses	(2,499)	(6,217)	(1,785)	(10,501)
Carrying amount of factoring receivables	73,313	29,746	198	103,257

  

	As of 31 December 2022			
	Stage I	Stage II	Stage III	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Factoring receivables	502	36,009	1,983	38,494
Allowances for impairment losses	(16)	(6,225)	(1,785)	(8,026)
Carrying amount of factoring receivables	486	29,784	198	30,468

### *Advisory Services*

Leveraging on 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 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 had 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.

For the six months ended 30 June 2023, the revenue from sales of vinegar and other condiment products was RMB2.1 million, accounting for 12.7% of our total revenue.

The cost of sales of vinegar and other condiment products was RMB1.9 million for the six months ended 30 June 2023, mainly consisted of the procurement cost of RMB1.9 million.

For the six months ended 30 June 2023, the gross profit of sales of vinegar and other condiment products was RMB0.2 million.

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

We conduct our packaging and paper products trading through Baiying Paper since January 2021. For the six months ended 30 June 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 six months ended 30 June 2023, the revenue from sales of packaging and paper products was RMB10.4 million, accounting for 62.0% of our total revenue.

The cost of sales of packaging and paper products was RMB10.2 million for the six months ended 30 June 2023 mainly consisted of the procurement cost of RMB10.2 million.

For the six months ended 30 June 2023, the gross profit of packaging and paper products trading business was RMB0.2 million.

## Management Discussion and Analysis

### 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 2023:

#### Key requirements

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.

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.

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%.

A foreign-funded finance leasing company shall have professional staff. Its senior management team shall have professional qualifications and no less than three years of experience in the relevant industries.

The term of operation of a foreign-funded finance leasing company shall generally not exceed 30 years.

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.

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.

#### Compliance status

Our Group complied with such requirement for the six months ended 30 June 2023.

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### Key requirements

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 eight times of its total net assets. The portion of assets under finance leasing and other leasing of a finance leasing company shall not be less than 60% of its total assets. The fix-income securities investment business carried out by a finance leasing company shall not exceed 20% of its net assets. The aggregate balance of the financial leasing businesses conducted by the financial leasing company with a single lessee or a single related party shall not exceed 30% of its net assets. The aggregate balance of the financial leasing businesses conducted by the financial leasing company with all related parties shall not exceed 50% of its net assets. The balance of financing with a single shareholder and its related parties shall not exceed the shareholder's capital contribution to the financial leasing company and the aggregate balance of the financial leasing businesses conducted by the financial leasing company with such shareholder shall not exceed 30% of its net assets.

A company engaged in food production, food sales and catering services should be licensed according to the applicable laws.

### Compliance status

Our Group complied with such requirement for the six months ended 30 June 2023.

Our Group complied with such applicable requirement for the six months ended 30 June 2023.

Our Group complied with such requirement for the six months ended 30 June 2023.

Our Group complied with such requirement for the six months ended 30 June 2023.

## Management Discussion and Analysis

### 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 Reporting Period, our interest income consisted of interests in installments and one-time management fees received from our finance leasing and factoring services, all of our income from packaging and paper products trading business were driven from sales of packaging paper, and all of our income from manufacture and sale of vinegar and other condiment products were driven from sales of vinegar and other condiment products and sales commission income relating to sales of vinegar and other condiment products. The following table sets forth our revenue by business type for the periods indicated:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Interest Income:</b>		
Finance leasing services	1,711	5,502
– Direct finance leasing	200	593
– Sale-leaseback	1,511	4,909
Factoring services	2,563	1,756
<b>Income from packaging and paper products trading business:</b>		
Sales of packaging paper	10,449	10,586
<b>Income from manufacture and sale of vinegar and other condiment products:</b>		
Sales of vinegar and other condiment products	1,926	94
Sales commission relating to the sale of vinegar and other condiment products	216	–
<b>Total</b>	<b>16,865</b>	<b>17,938</b>

Our revenue decreased from RMB17.9 million for the six months ended 30 June 2022 to RMB16.9 million for the six months ended 30 June 2023 mainly due to the decrease in our finance leasing services of RMB3.8 million, partially offset by the increase in manufacture and sale of vinegar and other condiment products of RMB1.8 million.

#### Other Net Income

Our other net income mainly consists of government grants, interest income from deposits with financial institutions.

Our other net income slightly decreased from RMB0.6 million for the six months ended 30 June 2022 to RMB0.5 million for the six months ended 30 June 2023.



### 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 was 0.12 times as of 31 December 2022 and 0.08 times as of 30 June 2023. The gearing ratio is a measure of financial leverage. It represents total interest-bearing borrowings divided by total equity as of 30 June 2023.

Our interest expenses decreased from RMB1.9 million for the six months ended 30 June 2022 to RMB0.7 million for the six months ended 30 June 2023 mainly due to the decrease in average monthly balance of our loans.

### Operating Expenses

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

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Staff cost	2,283	1,686
Legal expenses	191	163
Business travel and transportation expenses	186	257
Amortisation cost of intangible assets	45	45
Depreciation charge		
– owned property, plant and equipment	477	470
– right-of-use assets	548	304
Auditor's remuneration	356	660
Property management expenses	174	145
Research and development expenses	398	388
Consulting expenses	10	283
Sundry expenses	1,148	1,456
<b>Total operating expenses</b>	<b>5,816</b>	<b>5,857</b>

Our operating expenses remained stable at RMB5.9 million for the six months ended 30 June 2022 and RMB5.8 million for the six months ended 30 June 2023.

## Management Discussion and Analysis

### Impairment Losses Charged/(Reversed)

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

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Finance lease receivables	(497)	6,446
Trade and other receivables	132	87
Loans and receivables	1,231	(665)
<b>Total impairment losses charged</b>	<b>866</b>	<b>5,868</b>

Our impairment losses charged decreased from RMB5.9 million for the six months ended 30 June 2022 to RMB0.9 million for the six months ended 30 June 2023 primarily due to (i) the decrease in impairment losses charged on finance lease receivables from RMB6.4 million to a reversal of impairment losses of RMB0.5 million; and (ii) recovering overdue rents of some contracts that are overdue for more than 90 days, resulting in a reversal of impairment provision of RMB1.4 million.

### Sales Expense

Our sales expenses for the six months ended 30 June 2023 was RMB4.7 million.

Our sales expenses mainly include (i) staff cost of RMB1.9 million; (ii) business promotion expenses of RMB1.5 million; (iii) service fees of RMB0.4 million; and (iv) travel expenses of RMB0.3 million.

### Income Tax Expense

We recorded income tax expense of RMB7.1 million for the six months ended 30 June 2022 and income tax expense of RMB0.3 million for the six months ended 30 June 2023 primarily because for the six months ended 30 June 2022, we were temporarily unable to obtain the supporting documents to recognize certain impairment losses for tax deduction, resulting in the deferred income tax assets arising from these impairment losses not being recognized.

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 for the Period

We recorded a loss of RMB13.4 million for the six months ended 30 June 2022 and a loss of RMB7.5 million for the six months ended 30 June 2023 mainly due to (i) the decrease in revenue of the financial service business; (ii) the decrease in income tax expense; and (iii) the increase in sales expense of the vinegar and other condiment products business.

### Liquidity and Capital Resources

We primarily funded our operations and expansions through our Shareholders' equity, interest-bearing borrowings, net proceeds from the share offer 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 maintaining 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	
	2023 RMB'000	2022 RMB'000
Cash and cash equivalents at beginning of the period	70,102	19,146
Net cash flows (used in) operating activities	(70,865)	(23,319)
Net cash flows generated from/(used in) investing activities	13,243	(16,237)
Net cash flows (used in)/generated from financing activities	(10,767)	26,426
Net (decrease) in cash and cash equivalents	(68,389)	(13,130)
Effect of foreign exchange rate changes	(23)	(160)
Cash and cash equivalents at end of the period	1,690	5,856

#### *Net cash flows used in operating activities*

For the six months ended 30 June 2023, we had net cash used in operating activities of RMB70.9 million, primarily as a result of operating loss before changes in working capital of RMB3.5 million and the negative effect of the changes in working capital, which consisted of: (i) the decrease in cash of RMB67.3 million as a result of the increase in the loans and receivables; (ii) the decrease in cash of RMB3.9 million as a result of the decrease in trade and other liabilities; and (iii) the decrease in cash of RMB2.7 million as a result of the increase in inventories, partially offset by the increase in cash of RMB6.1 million as a result of the decrease in finance lease receivables.

#### *Net cash flows generated from investing activities*

For the six months ended 30 June 2023, our net cash generated from investing activities was RMB13.2 million. Our net cash inflow generated from investing activities mainly consisted of proceeds from disposal and redemption of investments of RMB14.6 million, partially offset by payments of purchase of property, plant and equipment of RMB1.5 million.

#### *Net cash flows used in financing activities*

For the six months ended 30 June 2023, our net cash flows used in financing activities was RMB10.8 million. Our net cash flows used in financing activities mainly consisted of: (i) the repayment of borrowings of RMB9.9 million; (ii) other interest paid of RMB0.7 million and (iii) capital element of lease rentals paid of RMB0.3 million.

## Management Discussion and Analysis

### Selected Items of the Consolidated Statements of Financial Position

	As of 30 June 2023 RMB'000	As of 31 December 2022 RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	91,174	92,160
Intangible assets	302	348
Interest in associate	4,069	4,512
Loans and receivables	1,996	11,374
Finance lease receivables	133	664
Trade and other receivables	132	132
Deferred tax assets	6,944	6,852
Total non-current assets	104,750	116,042
<b>Current assets</b>		
Loans and receivables	131,296	58,207
Finance lease receivables	15,431	19,173
Trade and other receivables	15,536	15,721
Financial assets at fair value through profit or loss	13,065	27,444
Inventories	15,004	12,268
Cash and cash equivalents	1,690	70,102
Total current assets	192,022	202,915
<b>Current liabilities</b>		
Borrowings	20,000	29,930
Trade and other liabilities	23,164	24,513
Income tax payable	3,579	3,187
Lease liabilities	400	419
Deferred income	100	100
Total current liabilities	47,243	58,149
<b>Net current assets</b>	144,779	144,766
<b>Non-current liabilities</b>		
Trade and other liabilities	875	4,622
Lease liabilities	1,057	1,097
Total non-current liabilities	1,932	5,719
<b>Net assets</b>	247,597	255,089

Our total current assets decreased from RMB203.0 million as of 31 December 2022 to RMB192.0 million as of 30 June 2023 primarily due to the decrease in financial assets at fair value through profit or loss of RMB14.4 million, partially offset by the increase in inventories of RMB2.7 million.

Our total current liabilities decreased from RMB58.1 million as of 31 December 2022 to RMB47.2 million as of 30 June 2023 mainly due to the decreased in borrowings of RMB9.9 million.

Our net assets decreased from RMB255.1 million as of 31 December 2022 to RMB247.6 million as of 30 June 2023 mainly due to the decrease in our total assets.

*Finance Lease Receivables*

Carrying amount of our finance lease receivables decreased from RMB19.8 million as of 31 December 2022 to RMB15.6 million as of 30 June 2023 mainly due to the decrease in our direct finance leasing business. For the six months ended 30 June 2023, all of our finance lease receivables were charged by fixed interest rates.

*Loans and Receivables*

Our loans and receivables increased from RMB69.6 million as of 31 December 2022 to RMB133.3 million as of 30 June 2023 mainly due to the combined effect of the decrease in receivables from sale-leaseback transaction and the increase in receivables from factoring services.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of our deposits with banks. Our cash and cash equivalents decreased from RMB70.1 million as of 31 December 2022 to RMB1.7 million as of 30 June 2023 mainly due to the increase in factoring services.

*Trade and Other Receivables*

Our trade and other receivables mainly include trade receivables, deductible value-added tax, prepaid expense.

Our trade and other receivables slightly decreased from RMB15.9 million as of 31 December 2022 to RMB15.7 million as of 30 June 2023.

The following table sets forth the ageing analysis of trade receivables, based on invoice date, as of the dates indicated:

	As of 30 June 2023 RMB'000	As of 31 December 2022 RMB'000
Within three months	3,194	2,076
Less: Allowances for impairment losses	(58)	(7)
<b>Total</b>	<b>3,136</b>	<b>2,069</b>

## Management Discussion and Analysis

### Trade and Other Liabilities

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

	<b>As of 30 June 2023 RMB'000</b>	As of 31 December 2022 RMB'000
<b>Current liabilities</b>		
Guaranteed deposits from lessees	5,058	3,553
VAT payable and other tax payable	7,565	7,608
Accounts payable	263	668
Trade payables	988	825
Accrued staff costs	2,225	2,957
Advances from a related party	1,014	849
Accrued liabilities	156	1,175
Payables for purchase of property, plant and equipment	4,686	5,159
Other payables	1,209	1,720
<b>Non-current liabilities</b>		
Guaranteed deposits from lessees	853	4,517
VAT payable	22	104
<b>Total trade and other liabilities</b>	<b>24,039</b>	29,135

Our trade and other liabilities decreased from RMB29.1 million as of 31 December 2022 to RMB24.0 million as of 30 June 2023 primarily due to the decrease in guaranteed deposits from lessees of RMB2.2 million and the decrease in accrued liabilities of RMB1.0 million.

### Financial Assets at Fair Value through Profit or Loss

For the year ended 30 June 2023, our financial assets at fair value primarily consisted of wealth management products and listed securities.

We invested in wealth management products and listed securities with our paid-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 2023, the balance of wealth management products and listed securities were RMB5.7 million and RMB7.3 million, respectively.

### Indebtedness

#### Bank Borrowings

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

	As of 30 June 2023 <sup>(1)</sup> RMB'000	As of 31 December 2022 RMB'000
Bank borrowings: – within one year	20,000	29,930
<b>Total</b>	<b>20,000</b>	29,930

Note:

- (1) As of 30 June 2023, RMB20.0 million of the borrowings were guaranteed by Septwolves Group Holding Co., Ltd.\* (“**Septwolves Group Holding**”, 七匹狼控股集團股份有限公司).

#### Contingent Liabilities

As of 30 June 2023, we had no contingent liability.

### Capital Expenditures

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

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Capital expenditures	3,268	25,974

### Capital Commitments

We did not have any significant capital commitment as of 30 June 2023.

### 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 report, we did not have any off-balance sheet arrangements.

## Management Discussion and Analysis

### MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

We did not have any material investments, acquisition or disposal for the six months ended 30 June 2023.

As at 30 June 2023, we had no specific future plan for material investments or capital assets.

### EMPLOYMENT AND EMOLUMENTS

As of the date of this report, our Group had 95 full time employees, all of whom were based in China. Our employees' remuneration was paid with reference to the individual 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 report, we had complied with all 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.

In the first half of 2023, our employees were trained via online and offline courses. Due to the increase in number of our sales staff in various locations, we conducted some training through online means to be more cost effective and improve training efficiency. In order to make the training more targeted and quantifiable, the Company opened an educational resource account on the education platform to share with all employees, the content of which covers financial, negotiation, business etiquette, management skills, etc., with the form of clock-in learning to encourage employees to take the initiative to improve themselves in their leisure time. In the post pandemic era, in order to ensure the health of our staff, we remind our staff to do more exercise, be aware of self-protection, and pay attention to ventilation.

### CHARGES ON ASSETS

As at 30 June 2023, we did not have any charge over our assets.

### PROSPECTS

Our Group has made some progress in making a mark in the vinegar manufacturing and sales industry in China through our brand "Qiaoxin 1950". Since establishing Qiaoxin in Yongchun, Fujian Province on 23 April 2020 as a strategic move to diversify our business, our Group has been expanding our vinegar manufacturing and marketing efforts through establishing production facility, purchasing and installing production equipment, conducting research and development and enhancing publicity, as well as developing mature stable operations and distribution channels. Looking forward, the Group believes that the financial performance of our manufacture and sale of vinegar and other condiment products business will take off, and it will be entering a rapid growth stage from the financial year ending 31 December 2023 onwards, with distribution of its self-produced products and its retail products being fully available, a solid foundation has been laid down for Qiaoxin. In addition, we obtained a series of accreditation. For example, with effect from May 2023, Qiaoxin has been certified to comply with GB/T 26531-2011 Geographical Indications for being able to produce authentic Yongchun aged vinegar, and obtained approval from the Intellectual Property Office of Fujian Province for the sale of Yongchun aged vinegar. Secondly, the investment of a majority of our fixed assets in the Qiaoxin Phase I factory has been completed, with the factory being capable of manufacturing 10,000 tonnes of Yongchun aged vinegar annually, hence making it one of the top-ranked factories in terms of annual capacity in producing Yongchun aged vinegar in the



PRC. Such factory has also obtained the (1) HACCP (Hazard Analysis and Critical Control Point) certification, (2) ISO 22000:2018 (food safety management system standards) certification and (3) ISO 9001:2015 (quality management system standards) certification in June 2023. The Company believes that these certifications will enhance customer confidence in and strengthen the branding of Qiaoxin's self-produced products. The Company will occupy more market shares and acquire more customers by producing authentic Yongchun aged vinegar. Last but not the least, Qiaoxin has been aggressively expanding its sales channels, which include but not limited to traditional retail stores, supermarkets and distributorships, spreading across six provinces in the PRC, in order to increase its customer base and hence its revenue. In the coming financial year, Qiaoxin will focus on the sales and marketing efforts in the Minnan market to enhance product visibility and promote its brand, which is one of our key initiatives in building it as the benchmark market. Furthermore, Qiaoxin has also been selling its products through various e-commerce platforms since February 2023, and will be marketing the products through various new media platforms in due course. Such e-commerce platforms and new media platforms are not limited by geographical restrictions and thus the Group expects that these will substantially increase the visibility of our products and allow them to reach a wider range of customers.

Building on the solid foundations developed so far, the Group is confident that Qiaoxin's production capacity will gradually be fully utilised in order to maximise our production output. The Group will also adjust its product portfolio based on market feedback and the efforts of its research and development team in order to reach more accessible segments. It will further strive to improve its geographical reach by further developing its distribution networks through cooperating with more domestic retailers, large supermarkets and online platforms.

On the other hand, in view of the release 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 the Group has slowed down the development and investment in our finance leasing business. The 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 actively control and reduce costs, optimise our business process, increase our pre-investment due diligence efforts, improve post-leasing management, and commence new business investments against the backdrop of stronger security measures, in order to strive for maximum benefit for the Company.

In addition, we stepped into the fields of sale and supply chain of paper products in 2021. We cooperated with high-quality partners and made use of their resource advantages and industry experience to try in the new fields. The paper sector has brought us certain benefits. Looking forward, 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 the 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 is optimistic, and we will aim to capitalise on whatever opportunities available as we think fit in order to improve the Group's performance and returns.

# Other Information

## AUDIT COMMITTEE

The audit committee of the Company (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 interim report has been reviewed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

## 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 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 (i.e. 27,000,000 Shares), being the date of listing of the Shares on GEM.

The number of options available for grant under the scheme mandate as at 1 January 2023 and 30 June 2023 is 27,000,000 and 27,000,000, respectively.

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

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As of 30 June 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 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 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 approximately 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 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 of 30 June 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.

## Other Information

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As of 30 June 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	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	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 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, 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 interests 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 approximately 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, 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 30 June 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.

## CONTINUING DISCLOSURE REQUIREMENTS UNDER THE GEM LISTING RULES

As of 30 June 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 Rule 17.43 of the GEM Listing Rules.

## INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2023.

## EVENTS AFTER THE REPORTING PERIOD

On 7 July 2023, the Company received a letter from the Stock Exchange notifying the Company of its decision that the Company has failed to maintain a sufficient level of operations and assets of a sufficient value to support its operations under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares and that trading in the Company's shares be suspended on 19 July 2023 under Rule 9.04(3) of the GEM Listing Rules (the "**Decision**"). Pursuant to Chapter 4 of the GEM Listing Rules, the Company submitted a written request to the Stock Exchange on 18 July 2023 for the Decision to be referred to the GEM Listing Committee for review (the "**Review**"). Up to the date of this report, the outcome of the Review is uncertain. For further details, please refer to the announcements of the Company dated 10 July 2023 and 18 July 2023.

## COMPETING INTERESTS

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 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.

## COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Each of Septwolves Holdings, 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, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming.

## CORPORATE GOVERNANCE

Our Group recognises 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 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

During the Reporting Period, there were no changes in information of Directors which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

## Other Information

### 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 transaction 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 throughout 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.

# Independent Review Report



## **Independent Review Report to the Board of Directors of Baiying Holdings Group Limited**

*(Incorporated in the Cayman Islands with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial report set out on pages 30 to 62 which comprises the consolidated statement of financial position of Baiying Holdings Group Limited (the “Company”) and its subsidiaries (collectively the “Group”) as of 30 June 2023 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended and explanatory notes. The GEM Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### **OTHER MATTER**

The comparative consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the six months ended 30 June 2022 and the relevant explanatory information included in these consolidated financial statements were extracted from the interim financial information of the Group for the six months ended 30 June 2022 reviewed by another auditor who expressed an unmodified conclusion on the interim financial information on 11 August 2022. The comparative consolidated statement of financial position as at 31 December 2022 was extracted from the consolidated financial statements of the Group for the year ended 31 December 2022 audited by the same auditor who expressed an unmodified opinion on those statements on 24 March 2023.

Moore Stephens CPA Limited  
*Certified Public Accountants*

Hung, Wan Fong Joanne  
Practising Certificate Number: P05419

Hong Kong

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB (Unaudited)	2022 RMB (Unaudited)
Sales of packaging and paper products		10,449,316	10,585,927
Sales of vinegar and other condiment products		2,142,190	94,385
Interest income		4,273,413	7,258,163
<b>Revenue</b>	4	<b>16,864,919</b>	17,938,475
Other net income		488,679	622,639
Cost of packaging and paper products		(10,229,647)	(10,257,666)
Cost of vinegar and other condiment products		(1,890,113)	(74,740)
Net gain/(loss) from financial assets at fair value through profit or loss		231,658	(432,182)
Interest expense		(740,636)	(1,862,198)
Operating expense		(5,815,646)	(5,857,321)
Impairment losses charged	5	(865,594)	(5,868,289)
Sales expense		(4,729,924)	(500,011)
Share of losses of an associate		(443,202)	–
<b>Loss before taxation</b>	6	<b>(7,129,506)</b>	(6,291,293)
Income tax expense	7	(338,974)	(7,079,569)
<b>Loss for the period</b>		<b>(7,468,480)</b>	(13,370,862)
<b>Attributable to:</b>			
Equity shareholders of the Company		(7,480,055)	(13,474,976)
Non-controlling interests		11,575	104,114
<b>Loss for the period</b>		<b>(7,468,480)</b>	(13,370,862)
<b>Loss per share</b>			
Basic and diluted (RMB cents)	8	(2.77)	(4.99)

The notes on pages 36 to 62 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 19(a).



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB (Unaudited)	2022 RMB (Unaudited)
<b>Loss for the period</b>	<b>(7,468,480)</b>	(13,370,862)
<b>Other comprehensive loss for the period (after tax):</b>		
Item that may be reclassified subsequently to profit or loss		
– Exchange differences on translation of financial statements of operations outside the mainland China	<b>(23,113)</b>	(160,332)
<b>Total comprehensive loss for the period</b>	<b>(7,491,593)</b>	(13,531,194)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(7,503,168)</b>	(13,635,308)
Non-controlling interests	<b>11,575</b>	104,114
<b>Total comprehensive loss for the period</b>	<b>(7,491,593)</b>	(13,531,194)

The notes on pages 36 to 62 form part of this interim financial report.

# Consolidated Statement of Financial Position

30 June 2023

	<i>Notes</i>	<b>As at 30 June 2023 RMB (Unaudited)</b>	As at 31 December 2022 RMB (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>91,173,841</b>	92,159,871
Intangible assets		<b>302,346</b>	347,536
Interest in associate	10	<b>4,069,235</b>	4,512,437
Loans and receivables	11	<b>1,996,095</b>	11,374,497
Finance lease receivables	12	<b>133,208</b>	664,076
Trade and other receivables	13	<b>131,642</b>	131,642
Deferred tax assets		<b>6,943,613</b>	6,851,508
		<b>104,749,980</b>	116,041,567
<b>Current assets</b>			
Loans and receivables	11	<b>131,296,012</b>	58,206,629
Finance lease receivables	12	<b>15,430,783</b>	19,173,102
Trade and other receivables	13	<b>15,536,322</b>	15,721,572
Financial assets at fair value through profit or loss	14	<b>13,064,486</b>	27,444,382
Inventories	15	<b>15,004,275</b>	12,268,065
Cash and cash equivalents	16	<b>1,690,178</b>	70,101,732
		<b>192,022,056</b>	202,915,482
<b>Current liabilities</b>			
Borrowings	17	<b>20,000,000</b>	29,930,079
Trade and other liabilities	18	<b>23,164,371</b>	24,513,155
Lease liabilities		<b>399,852</b>	418,580
Income tax payable		<b>3,578,867</b>	3,187,339
Deferred income		<b>100,000</b>	100,000
		<b>47,243,090</b>	58,149,153
		<b>144,778,966</b>	144,766,329
<b>Net current assets</b>			
<b>Total assets less current liabilities</b>		<b>249,528,946</b>	260,807,896

The notes on pages 36 to 62 form part of this interim financial report.

## Consolidated Statement of Financial Position

30 June 2023

	<i>Notes</i>	<b>As at 30 June 2023 RMB (Unaudited)</b>	As at 31 December 2022 RMB (Audited)
<b>Non-current liabilities</b>			
Trade and other liabilities	18	<b>874,441</b>	4,621,644
Lease liabilities		<b>1,057,486</b>	1,097,640
		<b>1,931,927</b>	5,719,284
<b>NET ASSETS</b>		<b>247,597,019</b>	255,088,612
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>2,301,857</b>	2,301,857
Share premium		<b>238,097,760</b>	238,097,760
Reserves		<b>4,883,926</b>	12,387,094
<b>Total equity attributable to equity shareholders of the Company</b>		<b>245,283,543</b>	252,786,711
<b>Non-controlling interests</b>		<b>2,313,476</b>	2,301,901
<b>TOTAL EQUITY</b>		<b>247,597,019</b>	255,088,612

Approved and authorized for issue by the board of directors on 11 August 2023.

**Huang Dake**  
*Director*

**Chen Xinwei**  
*Director*

The notes on pages 36 to 62 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity	
	Note	Share capital	Share premium	Capital reserve	Surplus reserve	Exchange reserve	Retained profits			Total
		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 six months ended 30 June 2022:</b>										
Loss for the period		-	-	-	-	-	(13,474,976)	(13,474,976)	104,114	(13,370,862)
Other comprehensive loss		-	-	-	-	(160,332)	-	(160,332)	-	(160,332)
Total comprehensive loss		-	-	-	-	(160,332)	(13,474,976)	(13,635,308)	104,114	(13,531,194)
<b>Balance at 30 June 2022 and 1 July 2022</b>		2,301,857	238,097,760	(6,640,176)	9,364,503	1,646,338	20,991,500	265,761,782	2,335,973	268,097,755
<b>Changes in equity for the six months ended 31 December 2022:</b>										
Loss for the period		-	-	-	-	-	(12,916,329)	(12,916,329)	(34,072)	(12,950,401)
Other comprehensive loss		-	-	-	-	(58,742)	-	(58,742)	-	(58,742)
Total comprehensive loss		-	-	-	-	(58,742)	(12,916,329)	(12,975,071)	(34,072)	(13,009,143)
<b>Balance at 31 December 2022</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>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 six months ended 30 June 2023:</b>										
Loss for the period		-	-	-	-	-	(7,480,055)	(7,480,055)	11,575	(7,468,480)
Other comprehensive loss		-	-	-	-	(23,113)	-	(23,113)	-	(23,113)
Total comprehensive loss		-	-	-	-	(23,113)	(7,480,055)	(7,503,168)	11,575	(7,491,593)
<b>Balance at 30 June 2023</b>		2,301,857	238,097,760	(6,640,176)	9,364,503	1,564,483	595,116	245,283,543	2,313,476	247,597,019

The notes on pages 36 to 62 form part of this interim financial report.

# Consolidated Cash Flow Statement

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB (Unaudited)	2022 RMB (Unaudited)
<b>Operating activities</b>			
Cash used in operations		(70,825,049)	(21,121,627)
Taxes paid		(39,551)	(2,197,843)
<b>Net cash used in operating activities</b>		<b>(70,864,600)</b>	<b>(23,319,470)</b>
<b>Investing activities</b>			
Interest received from deposits with financial institutions		145,334	86,400
Proceeds from disposal and redemption of investments		14,611,554	160,449,833
Payments on acquisition of investments		–	(142,799,708)
Payments of purchase of property, plant and equipment		(1,514,191)	(25,973,508)
Advance to related parties		–	(8,000,000)
<b>Net cash generated from/(used in) investing activities</b>		<b>13,242,697</b>	<b>(16,236,983)</b>
<b>Financing activities</b>			
Proceeds from borrowings		–	43,361,750
Repayment of borrowings		(9,891,750)	(15,694,000)
Advances from a related party		163,390	–
Interest element of lease rentals paid		(32,532)	(36,105)
Other interest paid		(701,630)	(914,966)
Capital element of lease rentals paid		(304,016)	(290,145)
<b>Net cash (used in)/generated from financing activities</b>		<b>(10,766,538)</b>	<b>26,426,534</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(68,388,441)</b>	<b>(13,129,919)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>70,101,732</b>	<b>19,146,212</b>
<b>Effect of foreign exchange rate changes</b>		<b>(23,113)</b>	<b>(160,332)</b>
<b>Cash and cash equivalents at 30 June</b>	16	<b>1,690,178</b>	<b>5,855,961</b>

The notes on pages 36 to 62 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
(Expressed in Renminbi 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 GEM of the Stock Exchange since 18 July 2018.

## 2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the GEM Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 11 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report 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.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The 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 Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by Moore Stephens in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. Moore Stephens' independent review report to the Board of Directors is included on page 29.

## 3. CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 17, *Insurance Contract*
- Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendment to HKAS 8, *Definition of Accounting Estimates*
- Amendment to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
(Expressed in Renminbi unless otherwise indicated)

### 4. 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 sales of vinegar and other condiment products in the People's Republic of China (the "PRC"). The amount of each significant category of revenue recognised during the six months ended 30 June 2023 and 2022 is as follows:

	Six months ended 30 June	
	2023 RMB (Unaudited)	2022 RMB (Unaudited)
<b>Sales of products arising from</b>		
Sales of packaging and paper products	10,449,316	10,585,927
Sales of vinegar and other condiment products	2,142,190	94,385
	<b>12,591,506</b>	10,680,312
<b>Interest income from</b>		
Finance leases receivables	200,506	760,200
Receivables from sale-leaseback transaction under loans and receivables	1,510,945	4,742,297
Factoring receivables	2,561,962	1,755,666
	<b>4,273,413</b>	7,258,163
	<b>16,864,919</b>	17,938,475

- (i) The Group has one customer and two customers for six months ended 30 June 2023 and 2022 respectively, with whom transactions have exceeded 10% of the Group's aggregate revenues. Such revenue from the customers is set out below:

	Six months ended 30 June	
	2023 RMB (Unaudited)	2022 RMB (Unaudited)
Customer A	5,582,603	4,139,281
Customer B	*	3,765,847

Note: \* Revenue from the customer was less than 10% for six months ended 30 June 2023.

- (ii) Revenue from sales of packaging and paper products and sales of vinegar and other condiment products are recognised when control of goods has transferred, being when the goods have been delivered as agreed in the sales contracts.

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
(Expressed in Renminbi unless otherwise indicated)

### 4. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting

The Group manages its businesses 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 PRC. Income of financial leasing service takes the major portion of financial services for the six months ended 30 June 2023.
- Packaging and paper products trading segment: starting with the year 2022, 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: in April 2020, 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, assets and liabilities

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

Segment assets include all tangible, intangible assets, and current assets with the exception of deferred tax assets. Segment liabilities include borrowings, trade and other liabilities, lease liabilities, income tax payable with the exception of deferred tax liabilities.

Revenue and expenses are allocated 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.



## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
(Expressed in Renminbi unless otherwise indicated)

### 4. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting (Continued)

##### (i) Segment results, assets and liabilities (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 period is set out below:

	Six months ended 30 June 2023 (Unaudited)			Total RMB
	Financial services RMB	Packaging and paper products trading RMB	Manufacture and sale of vinegar and other condiment products RMB	
<b>Disaggregated by timing of revenue recognition</b>				
<b>Overtime:</b>				
Interest income	4,273,413	–	–	4,273,413
<b>Point in time:</b>				
Sales of packaging and paper products	–	10,449,316	–	10,449,316
Sales of vinegar and other condiment products	–	–	2,142,190	2,142,190
<b>Reportable segment revenue</b>	<b>4,273,413</b>	<b>10,449,316</b>	<b>2,142,190</b>	<b>16,864,919</b>
Other net income	343,152	15,569	129,958	488,679
Cost of packaging and paper products	–	(10,229,647)	–	(10,229,647)
Cost of vinegar and other condiment products	–	–	(1,890,113)	(1,890,113)
Net gain from financial assets at fair value through profit or loss	231,658	–	–	231,658
Interest expense	(710,610)	–	(30,026)	(740,636)
Operating expense	(1,130,896)	(125,310)	(4,559,440)	(5,815,646)
Impairment losses charged	(814,773)	(13,285)	(37,536)	(865,594)
Sales expense	–	(62,347)	(4,667,577)	(4,729,924)
Share of losses of an associate	(443,202)	–	–	(443,202)
<b>Reportable segment profit/(loss) before taxation</b>	<b>1,748,742</b>	<b>34,296</b>	<b>(8,912,544)</b>	<b>(7,129,506)</b>
Income tax (expense)/credit	(466,383)	(8,574)	135,983	(338,974)
<b>Reportable segment profit/(loss) for the period</b>	<b>1,282,359</b>	<b>25,722</b>	<b>(8,776,561)</b>	<b>(7,468,480)</b>
<b>Reportable segment assets</b>	<b>248,939,507</b>	<b>5,623,621</b>	<b>116,892,237</b>	<b>371,455,365</b>
<b>Reportable segment liabilities</b>	<b>39,591,489</b>	<b>496,510</b>	<b>90,677,357</b>	<b>130,765,356</b>

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
(Expressed in Renminbi unless otherwise indicated)

### 4. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting (Continued)

##### (i) Segment results, assets and liabilities (Continued)

	Six months ended 30 June 2022 (Unaudited)			
	Financial services RMB	Packaging and paper products trading RMB	Manufacture and sale of vinegar and other condiment products RMB	Total RMB
<b>Disaggregated by timing of revenue recognition</b>				
<b>Overtime:</b>				
Interest income	7,258,163	–	–	7,258,163
<b>Point in time:</b>				
Sales of packaging and paper products	–	10,585,927	–	10,585,927
Sales of vinegar and other condiment products	–	–	94,385	94,385
<b>Reportable segment revenue</b>	<b>7,258,163</b>	<b>10,585,927</b>	<b>94,385</b>	<b>17,938,475</b>
Other net income	576,351	5,105	41,183	622,639
Cost of packaging and paper products	–	(10,257,666)	–	(10,257,666)
Cost of vinegar and other condiment products	–	–	(74,740)	(74,740)
Net loss from financial assets at fair value through profit or loss	(428,667)	–	(3,515)	(432,182)
Interest expense	(1,862,198)	–	–	(1,862,198)
Operating expense	(2,893,331)	(161,997)	(2,801,993)	(5,857,321)
Impairment losses (charged)/written back	(5,983,381)	218,043	(102,951)	(5,868,289)
Sales expense	–	(63,349)	(436,662)	(500,011)
<b>Reportable segment (loss)/profit before taxation</b>	<b>(3,333,063)</b>	<b>326,063</b>	<b>(3,284,293)</b>	<b>(6,291,293)</b>
Income tax expense	(6,560,143)	(77,423)	(442,003)	(7,079,569)
<b>Reportable segment (loss)/profit for the period</b>	<b>(9,893,206)</b>	<b>248,640</b>	<b>(3,726,296)</b>	<b>(13,370,862)</b>
<b>Reportable segment assets</b>	<b>297,945,422</b>	<b>5,656,574</b>	<b>105,497,557</b>	<b>409,099,553</b>
<b>Reportable segment liabilities</b>	<b>84,861,689</b>	<b>473,953</b>	<b>62,768,183</b>	<b>148,103,825</b>

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
(Expressed in Renminbi unless otherwise indicated)

### 4. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting (Continued)

##### (ii) Reportable segment assets and liabilities

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
<b>Assets</b>		
Reportable segment assets	<b>371,455,365</b>	381,877,657
Deferred tax assets	<b>6,943,613</b>	6,851,508
Unallocated head office and corporate assets	<b>119,857</b>	535,073
Elimination of inter-segment receivables	<b>(81,746,799)</b>	(70,307,189)
Consolidated total assets	<b>296,772,036</b>	318,957,049
<b>Liabilities</b>		
Reportable segment liabilities	<b>130,765,356</b>	133,175,289
Unallocated head office and corporate liabilities	<b>156,460</b>	1,000,337
Elimination of inter-segment payables	<b>(81,746,799)</b>	(70,307,189)
Consolidated total liabilities	<b>49,175,017</b>	63,868,437

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
(Expressed in Renminbi unless otherwise indicated)

### 5. IMPAIRMENT LOSSES CHARGED/(REVERSED)

	Notes	Six months ended 30 June	
		2023 RMB (Unaudited)	2022 RMB (Unaudited)
Loans and receivables	11	1,230,648	(665,340)
Finance lease receivables	12	(496,730)	6,446,115
Trade and other receivables	13	131,676	87,514
		<b>865,594</b>	5,868,289

### 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2023 RMB (Unaudited)	2022 RMB (Unaudited)
<b>(a) Staff cost</b>		
Contributions to defined contribution retirement plan	308,600	219,491
Salaries, wages and other benefits	3,886,493	1,857,049
Subtotal	<b>4,195,093</b>	2,076,540
<b>(b) Other items</b>		
Amortisation cost of intangible assets	45,190	45,190
Depreciation charge		
– owned property, plant and equipment	476,747	472,831
– right-of-use assets	547,972	303,516
Interest on lease liabilities	32,532	36,105
Auditor's remuneration	355,723	660,377
Legal expenses	177,567	163,394
Consulting expenses	9,690	283,019

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
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### 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	
	2023 RMB (Unaudited)	2022 RMB (Unaudited)
<b>Current tax</b>		
– PRC Enterprise Income Tax (“EIT”) Provision for the period	437,858	779,856
– Over-provision in respect of prior period	(6,779)	(341,880)
<b>Deferred tax</b>		
– (Origination)/reversal of temporary differences	(92,105)	6,641,593
	<b>338,974</b>	7,079,569

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

	Notes	Six months ended 30 June	
		2023 RMB (Unaudited)	2022 RMB (Unaudited)
Loss before taxation		(7,129,506)	(6,291,293)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned		(1,782,377)	(1,452,678)
Tax effect of non-deductible expenses		27,156	69,893
Tax effect of non-taxable income	(i)	–	(30,000)
Tax effect of unused tax losses and deductible temporary differences not recognized	(ii)	2,100,974	8,834,234
Over-provision in respect of prior period		(6,779)	(341,880)
Income tax expense for the period		<b>338,974</b>	7,079,569

Notes:

- (i) The non-taxable income is mainly the interest income from equity investment gains generated from qualified resident.
- (ii) The Group has not recognized deferred tax assets in respect of certain impairment losses as it is not probable that supporting documents against which the losses can be pre-tax deducted will be obtained.

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### 8. LOSS PER SHARE

#### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the six months ended 30 June 2023 of RMB7,480,055 (six months ended 30 June 2022: RMB13,474,976) and the weighted average of 270,000,000 ordinary shares (six months ended 30 June 2022: 270,000,000 shares) in issue during the interim period.

#### (b) Diluted loss per share

There were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2023 and 2022, and hence the diluted loss per share are the same as basic loss per share.

### 9. PROPERTY, PLANT AND EQUIPMENT

#### (a) Right-of-use assets

During the six months ended 30 June 2023, the Group entered into several lease agreements (six months ended 30 June 2022: a land use right agreement) in the PRC, and therefore recognised the additions to right-of-use assets of RMB195,334 (six months ended 30 June 2022: RMB22,722,525).

#### (b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of office equipment and machinery with a cost of RMB1,841,493 (six months ended 30 June 2022: RMB91,616).

During the six months ended 30 June 2023, the Group acquired items of construction in progress with a cost of RMB1,426,380 (six months ended 30 June 2022: RMB3,159,367).

#### (c) Impairment losses

During the six months ended 30 June 2023, no impairment loss of property, plant and equipment was recognised (six months ended 30 June 2022: nil).

### 10. INTERESTS IN ASSOCIATE

On 29 November 2021, Xiamen Baiying Leasing Co., Ltd. ("Xiamen Baiying"), Fujian Jingong Machinery Co., Ltd. and Xiamen Qifeng Investment Partnership ("Xiamen Qifeng") jointly established Fujian Jingong New Energy Technology Co., Ltd. ("Jingong New Energy") with a registered capital of RMB100,000,000. Xiamen Qifeng's 38.61% equity interest is held by Mr. Zhou Shaoming and Zhou Shaoxiong and 0.8% equity interest is held by Mr. Zhou Shiyuan. Xiamen Baiying agreed to contribute RMB5,000,000, being 5% of the registered capital. The principal activity of Jingong New Energy is research and development of emerging energy technologies and new energy vehicle sales. As of 30 June 2023, Xiamen Baiying had fully paid its subscribed capital, which accounted for 5.56% of the total paid-in capital.

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### 11. LOANS AND RECEIVABLES

	Notes	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Factoring receivables with recourse		113,758,131	38,494,135
Less: Allowances for impairment losses	(i)	(10,500,733)	(8,025,749)
Sub-total		103,257,398	30,468,386
Receivables from sale-leaseback transaction		36,596,619	46,918,986
Less: Allowances for impairment losses	(i)	(6,561,910)	(7,806,246)
Sub-total		30,034,709	39,112,740
Total		133,292,107	69,581,126

Notes:

- (i) The allowances for impairment losses of loans and receivables were provided on expected credit loss model. As at 30 June 2023, the overdue loans and receivables analysed by overdue period are as follows:

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Overdue within 30 days (inclusive)	235,907	276,380
Overdue 30 to 90 days (inclusive)	35,963,200	729,131
Overdue above 90 days	11,883,874	13,714,447
At the end of the period/year	48,082,981	14,719,958

- (ii) Analysis for reporting purpose as:

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Unaudited)
Non-current assets	1,996,095	11,374,497
Current assets	131,296,012	58,206,629
	133,292,107	69,581,126

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### 11. LOANS AND RECEIVABLES (Continued)

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

	Stage I 12-month ECL RMB	Stage II Lifetime ECL RMB	Stage III RMB	Total RMB
As at 30 June 2023 (Unaudited)				
Factoring receivables	75,811,881	35,963,200	1,983,050	113,758,131
Less: Allowances for impairment losses	(2,499,367)	(6,216,621)	(1,784,745)	(10,500,733)
Carrying amount of factoring receivables	73,312,514	29,746,579	198,305	103,257,398
Receivables from sale-leaseback transaction	26,695,795	–	9,900,824	36,596,619
Less: Allowances for impairment losses	(984,581)	–	(5,577,329)	(6,561,910)
Carrying amount of receivables from sale-leaseback transaction	25,711,214	–	4,323,495	30,034,709
Total carrying amount of loans and receivables	99,023,728	29,746,579	4,521,800	133,292,107
As at 31 December 2022 (Audited)				
Factoring receivables	501,778	36,009,307	1,983,050	38,494,135
Less: Allowances for impairment losses	(16,413)	(6,224,591)	(1,784,745)	(8,025,749)
Carrying amount of factoring receivables	485,365	29,784,716	198,305	30,468,386
Receivables from sale-leaseback transaction	34,458,458	729,131	11,731,397	46,918,986
Less: Allowances for impairment losses	(1,042,933)	(119,577)	(6,643,736)	(7,806,246)
Carrying amount of receivables from sale-leaseback transaction	33,415,525	609,554	5,087,661	39,112,740
Total carrying amount of loans and receivables	33,900,890	30,394,270	5,285,966	69,581,126



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For the six months ended 30 June 2023  
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### 11. LOANS AND RECEIVABLES (Continued)

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

	Stage I 12-month ECL RMB	Stage II Lifetime ECL RMB	Stage III RMB	Total RMB
<b>2023</b>				
<b>Balance at 1 January</b>	<b>1,059,346</b>	<b>6,344,168</b>	<b>8,428,481</b>	<b>15,831,995</b>
Transfer:				
Stage I and stage II to stage III	(4,056)	(9,560)	13,616	–
Net remeasurement of loss allowance	2,461,459	(117,987)	(1,080,023)	1,263,449
New financial assets originated	154,055	–	–	154,055
Financial assets that have been derecognised	(186,856)	–	–	(186,856)
<b>Balance at 30 June (Unaudited)</b>	<b>3,483,948</b>	<b>6,216,621</b>	<b>7,362,074</b>	<b>17,062,643</b>
<b>2022</b>				
<b>Balance at 1 January</b>	3,538,298	–	8,400,709	11,939,007
Transfer:				
Stage I to stage II	(9,909)	9,909	–	–
Stage I to stage III	(147,577)	–	147,577	–
Net remeasurement of loss allowance	(422,563)	28,732	1,902,164	1,508,333
New financial assets originated or purchased	217,101	6,305,527	620,938	7,143,566
Financial assets that have been derecognised	(2,116,004)	–	(2,642,907)	(4,758,911)
<b>Balance at 31 December (Audited)</b>	<b>1,059,346</b>	<b>6,344,168</b>	<b>8,428,481</b>	<b>15,831,995</b>

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### 12. FINANCE LEASE RECEIVABLES

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Minimum finance lease receivables		
Not later than one year	<b>46,109,466</b>	50,340,842
Later than one year and not later than five years	<b>157,290</b>	777,752
Gross amount of finance lease receivables	<b>46,266,756</b>	51,118,594
Less: Unearned finance income	<b>(2,734,090)</b>	(2,816,011)
Net amount of finance lease receivables	<b>43,532,666</b>	48,302,583
Less: Allowances for impairment losses	<b>(27,968,675)</b>	(28,465,405)
Carrying amount of finance lease receivables	<b>15,563,991</b>	19,837,178
Present value of minimum finance lease receivables		
Not later than one year	<b>43,389,306</b>	47,587,897
Later than one year and not later than five years	<b>143,360</b>	714,686
Total	<b>43,532,666</b>	48,302,583
Analysis for reporting purpose as:		
Non-current assets	<b>133,208</b>	664,076
Current assets	<b>15,430,783</b>	19,173,102
	<b>15,563,991</b>	19,837,178

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### 12. FINANCE LEASE RECEIVABLES (Continued)

#### 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 RMB151,549 was arranged through an entrusted loan with properties as the collateral as at 30 June 2023 (31 December 2022: RMB467,694).

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.

Overdue finance lease receivables analysed by overdue period:

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Overdue within 30 days (inclusive)	–	1,711,795
Overdue 30 to 90 days (inclusive)	<b>101,979</b>	180,374
Overdue above 90 days	<b>41,993,646</b>	42,471,452
At the end of the period/year	<b>42,095,625</b>	44,363,621

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 lessees, the suppliers or the agents of the leased assets through guarantee or from the disposal of leased assets.

In year 2020 and 2021, the Group applied compulsory execution to enforce two customers' assets and the local court decided to execute. As at 30 June 2023, the Group has finance lease receivables from Customer A with carrying amount of RMB32.58 million (31 December 2022: RMB32.58 million). The Group also entered into a settlement agreement with Customer B and collected about RMB8.47 million. As at 30 June 2023, the Group has finance lease receivables from Customer B with carrying amount of RMB7.13 million (31 December 2022: RMB8.67 million) and planned to apply further compulsory execution.

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### 12. FINANCE LEASE RECEIVABLES (Continued)

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

	Stage I 12-month ECL RMB	Stage II Lifetime ECL RMB	Stage III RMB	Total RMB
<b>As at 30 June 2023 (Unaudited)</b>				
Net amount of finance lease receivables	1,437,041	101,979	41,993,646	43,532,666
Less: Allowances for impairment losses	(110,668)	(16,725)	(27,841,282)	(27,968,675)
Carrying amount of finance lease receivables	1,326,373	85,254	14,152,364	15,563,991
<b>As at 31 December 2022 (Audited)</b>				
Net amount of finance lease receivables	5,650,757	180,374	42,471,452	48,302,583
Less: Allowances for impairment losses	(296,588)	(29,581)	(28,139,236)	(28,465,405)
Carrying amount of finance lease receivables	5,354,169	150,793	14,332,216	19,837,178

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### 12. FINANCE LEASE RECEIVABLES (Continued)

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

	Stage I 12-month ECL RMB	Stage II Lifetime ECL RMB	Stage III RMB	Total RMB
<b>2023</b>				
<b>Balance at 1 January</b>	<b>296,588</b>	<b>29,581</b>	<b>28,139,236</b>	<b>28,465,405</b>
Transfer: Stage III to Stage I	<b>159,937</b>	–	<b>(159,937)</b>	–
Net remeasurement of loss allowance	<b>(342,351)</b>	<b>(12,856)</b>	<b>(138,017)</b>	<b>(493,224)</b>
New financial assets originated	<b>21,577</b>	–	–	<b>21,577</b>
Financial assets that have been derecognised	<b>(25,083)</b>	–	–	<b>(25,083)</b>
<b>Balance at 30 June (Unaudited)</b>	<b>110,668</b>	<b>16,725</b>	<b>27,841,282</b>	<b>27,968,675</b>
<b>2022</b>				
<b>Balance at 1 January</b>	440,992	6,300	27,519,821	27,967,113
Transfer: Stage I to Stage II	(6,209)	6,209	–	–
Net remeasurement of loss allowance	(170,996)	23,372	8,732,972	8,585,348
New financial assets originated or purchased	207,683	–	159,937	367,620
Financial assets that have been derecognised	(174,882)	(6,300)	(2,037,660)	(2,218,842)
Write-offs	–	–	(6,235,834)	(6,235,834)
<b>Balance at 31 December (Audited)</b>	<b>296,588</b>	<b>29,581</b>	<b>28,139,236</b>	<b>28,465,405</b>

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### 13. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	<b>As at 30 June 2023 RMB (Unaudited)</b>	As at 31 December 2022 RMB (Audited)
<b>Non-current assets</b>			
Deposits for property		<b>131,642</b>	131,642
<b>Current assets</b>			
Interest receivables		–	3,557,491
Less: Allowances for impairment losses	<i>(i)</i>	–	(614,950)
Trade receivables	<i>(ii)</i>	<b>3,193,611</b>	2,076,498
Note receivables		–	363,623
Other receivables	<i>(iii)</i>	<b>3,121,875</b>	926,727
Less: allowances for impairment losses	<i>(i)</i>	<b>(1,331,362)</b>	(584,736)
		<b>4,984,124</b>	5,724,653
Deductible value-added tax		<b>7,806,036</b>	7,376,584
Prepaid expenses		<b>2,550,336</b>	2,498,823
Prepayment for leased assets		<b>195,826</b>	121,512
		<b>15,536,322</b>	15,721,572
Total		<b>15,667,964</b>	15,853,214

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### 13. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

- (i) Movements of allowances on trade and other receivables

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
At 1 January	1,199,686	328,762
Charged for the period/year	131,676	870,924
At 30 June/31 December	<b>1,331,362</b>	1,199,686

- (ii) Ageing analysis of trade receivables

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

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Within 3 months	3,193,611	2,076,498
Less: Allowances for impairment losses	(57,677)	(6,856)
Total	<b>3,135,934</b>	2,069,642

Trade receivables are due within 1-60 days from the date of billing. Trade receivable that are more than 60 days past due are requested to settle all outstanding balances before any further credit is granted.

- (iii) The amount including interest receivables of approximately RMB2.58 million (31 December 2022: RMB0.46 million).

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### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Wealth management products	(i)	5,722,065	20,030,101
Listed securities in the PRC		7,342,421	7,414,281
		<b>13,064,486</b>	27,444,382

Note:

- (i) The above wealth management products were issued by commercial banks in the PRC. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

### 15. INVENTORIES

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Raw materials	964,199	599,696
Work in progress	11,848,855	10,173,793
Finished goods	2,191,221	1,494,576
	<b>15,004,275</b>	12,268,065

### 16. CASH AND CASH EQUIVALENTS

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Deposits with banks	1,690,178	70,101,732

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.



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### 17. BORROWINGS

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Bank loans, repayable within one year and classified as current liabilities – guaranteed	20,000,000	29,930,079

As at 30 June 2023, loans amounting to RMB20,000,000 (31 December 2022: RMB20,022,917) was guaranteed by Septwolves Group Holding Co., Ltd., loans amounting to RMB nil (31 December 2022: RMB9,907,162) was guaranteed by Fujian Septwolves Group Co., Ltd..

The ranges of effect interest rates on the borrowings are as follows:

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Range of interest rates	3.75%	3.75%–5.31%

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### 18. TRADE AND OTHER LIABILITIES

	Notes	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
<b>Current liabilities</b>			
Guaranteed deposits from lessees	(i)	5,057,788	3,552,359
VAT payable and other tax payable		7,565,103	7,607,445
Accounts payable	(ii)	262,611	668,330
Trade payables		987,667	825,433
Accrued staff costs		2,225,498	2,957,166
Advances from a related party		1,014,178	848,610
Accrued liabilities		156,460	1,174,527
Payables for purchase of property, plant and equipment		4,685,965	5,158,798
Other payables		1,209,101	1,720,487
		<b>23,164,371</b>	24,513,155
<b>Non-current liabilities</b>			
Guaranteed deposits from lessees	(i)	852,812	4,517,255
VAT payable		21,629	104,389
		<b>874,441</b>	4,621,644
<b>Total</b>		<b>24,038,812</b>	29,134,799

Notes:

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

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Current portion	5,057,788	3,552,359
Non-current portion	852,812	4,517,255
<b>Total</b>	<b>5,910,600</b>	8,069,614

- (ii) As at 30 June 2023 and 31 December 2022, the accounts payable comprise of amounts RMB262,611 and RMB668,330 respectively, to be repaid to certain equipment suppliers under the leased assets repurchase arrangements. As such, there was no relevant invoice or demand notes as the basis to the ageing analysis. Alternatively, from the perspective of credit term, all the accounts payable were payable on demand.

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## 19. CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

No dividend was declared by the Group for the six months ended 30 June 2023 (2022: nil).

### (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 2023.

## 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) 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.

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### 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### (a) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
<b>At 30 June 2023 (Unaudited)</b>				
<b>Financial assets at fair value through profit or loss</b>				
– Wealth management products	–	5,722,065	–	5,722,065
– Listed securities	7,342,421	–	–	7,342,421
	7,342,421	5,722,065	–	13,064,486
<b>At 31 December 2022 (Audited)</b>				
<b>Financial assets at fair value through profit or loss</b>				
– Wealth management products	–	20,030,101	–	20,030,101
– Listed securities	7,414,281	–	–	7,414,281
	7,414,281	20,030,101	–	27,444,382

During the six months ended 30 June 2023, 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.

#### (b) 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.

### 21. COMMITMENTS

At 30 June 2023, the Group has outstanding commitments, contracted but not provided for in the financial statement, in respect of assets under construction and research and development activities as follow:

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Assets under construction	4,141,831	–
Research and development activities	–	1,600,000
	4,141,831	1,600,000

The research and development activities are to develop bacterial seed and more kinds of flavours of vinegar products.

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(Expressed in Renminbi unless otherwise indicated)

### 22. MATERIAL RELATED PARTY TRANSACTIONS

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

Name of the entities	Relationship
Septwolves Group Holding	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
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 ("Zhejiang Capital")	One of shareholders of the Group
Pirates Media. Co., Ltd.* (廈門市派若文化傳播有限公司) ("Pirates Media")	A company controlled by Chen Chunruo, close member of the Executive Director Huang Dake
Sichuan Qingxiangyuan Condiments Co., Ltd.* (四川清香園調味品股份有限公司) ("Sichuan Qingxiangyuan")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Henghe Property (Fujian) Co., Ltd.* (恒禾物業(福建)有限公司) ("Henghe Property")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Lianhua (Xiamen) Aviation Food Co., Ltd.* (聯華(廈門)航空食品有限責任公司) ("Lianhua Food")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Xiamen Huishangcheng Trade Co., Ltd.* (廈門匯尚成貿易有限責任公司) ("Huishangcheng Trade")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
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)
Xiamen Songyue Trading Co., Ltd. * (廈門頌悅貿易有限公司) ("Xiamen Songyue")	A company of which 2% interest held by and whose supervisor is Zhou Shiyuan

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

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
(Expressed in Renminbi unless otherwise indicated)

### 22. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (b) Remuneration for key management personnel

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

	Six months ended 30 June	
	2023 RMB (Unaudited)	2022 RMB (Unaudited)
Key management personnel remuneration	422,900	647,928

#### (c) Related parties' transactions

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

	Six months ended 30 June	
	2023 RMB (Unaudited)	2022 RMB (Unaudited)
Payment for leased assets		
– Jingong Machinery	–	4,345,300
Interest income		
– Huishangcheng Trade	–	32,050
Interest expense		
– Septwolves Group Holding	105,031	205,307
– Fujian Septwolves Group	76,072	114,019
Rental and property management fee		
– Septwolves Asset Management	83,708	339,679
– Huakai Fugui Property Management	24,124	93,416
– Henghe Property	128,185	28,953
– Lianhua Food	49,800	24,514
Purchase of condiment products		
– Sichuan Qingxiangyuan	474,787	–
Sales commission income		
– Sichuan Qingxiangyuan	216,410	–
Marketing expense		
– Pirates Media	–	87,258
Lending to a related party		
– Huishangcheng Trade	–	8,000,000*
Payment for marketing expense		
– Pirates Media	–	27,500
Disposal of unlisted equity investment		
– Lianhua Food	–	186,237
Investment gain for unlisted equity investment		
– Lianhua Food	–	5,237

\* The amount has been settled on 29 December 2022.

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
(Expressed in Renminbi unless otherwise indicated)

### 22. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (d) Balance with related parties

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
<b>Trade related</b>		
Trade receivables		
– Sichuan Qingxiangyuan	–	850,484
Other receivables		
– Jingong Machinery	–	460,119
Prepayment for leased assets		
– Jingong Machinery	173,531	99,216
– Septwolves Asset Management	2,820	–
Deposit for rental and property management		
– Septwolves Asset Management	29,298	29,298
– Huakai Fugui Property Management	9,146	9,146
Accounts payable		
– Jingong Machinery	–	115,148
– Sichuan Qingxiangyuan	467,242	567,679
– Septwolves Group Holding	9,784	–
<b>Non-trade related</b>		
Other receivables		
– Zijiang Capital	83,242	80,650
Interest receivables from a related party		
– Huishangcheng Trade	–	234,521
Interest payable for guarantees		
– Septwolves Group Holding	111,333	103,537
– Fujian Septwolves Group	80,636	97,800
Advances from a related party		
– Hong Kong Li Hong	1,014,178	848,610

## Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2023  
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### 22. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (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:

	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Amount of maximum credit limit		
Fujian Septwolves Group	–	100,000,000
Septwolves Group Holding	<b>50,000,000</b>	150,000,000