

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

Third Quarterly Report

2023

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8525

CHARACTERISTICS OF GEM

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

We are a finance leasing company in Fujian Province primarily dedicated to providing equipment-based financing solutions 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 small and medium-sized enterprise, 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 Fujian Yongchun Qiaoxin Brewing Co., Ltd.* (福建永春僑新釀造有限責任公司) ("**Qiaoxin**"), a vinegar manufactory in the PRC, with a registered capital of RMB50,000,000, to diversify our business. On 13 January 2021, we also established Fujian Baiying Paper Co., Ltd.* (福建百應紙業有限公司) ("**Baiying Paper**") to expand our business portfolio into the packaging and paper products trading industry. As of 30 September 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.

Our revenue increased from RMB22.8 million for the nine months ended 30 September 2022 to RMB25.0 million for the nine months ended 30 September 2023 (the "**Reporting Period**"). Our net loss decreased from RMB15.2 million for the nine months ended 30 September 2022 to RMB11.6 million for the nine months ended 30 September 2023. The revenue generated from our financial services was RMB5.6 million for the nine months ended 30 September 2023. The revenue generated from the sale of vinegar and other condiment products was RMB2.7 million for the nine months ended 30 September 2023. The revenue generated from the packaging and paper products trading through Baiying Paper was RMB16.6 million for the nine months ended 30 September 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. Revenue from finance leasing services was RMB2.4 million, accounting for 9.6% of our total revenue for the nine months ended 30 September 2023.

Factoring services

We provided factoring services to our customers through our subsidiaries, Xiamen Baiying Leasing Co., Ltd.* (廈門百應融資租賃有限責任公司). For the nine months ended 30 September 2023, the revenue from factoring services was RMB3.2 million, accounting for 12.9% of our total revenue.

Advisory services

Leveraging our experience in arranging finance leases for our customers, we also provide advisory services with regard to project coordination, contract drafting and negotiation, project management, project financing and its compliance with relevant regulatory requirements. For the nine months ended 30 September 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. As of 30 September 2023, Qiaoxin has started the orderly production and sales of our self-manufactured products under the “Qiaoxin 1950” brand.

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2023, the revenue from the sale of vinegar and other condiment products was RMB2.7 million, accounting for 10.9% of our total revenue.

The cost of sale of vinegar and other condiment products was RMB2.5 million for the nine months ended 30 September 2023, mainly consisted of the procurement cost of RMB2.5 million.

For the nine months ended 30 September 2023, the gross profit of sale 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 nine months ended 30 September 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 nine months ended 30 September 2023, the revenue from sales of packaging and paper products was RMB16.6 million, accounting for 66.6% of our total revenue.

The cost of sales of packaging paper was RMB16.2 million for the nine months ended 30 September 2023, mainly consisted of the procurement cost of RMB16.2 million.

For the nine months ended 30 September 2023, the gross profit of packaging and paper products trading business was RMB0.4 million.

Financial Overview

Results of Operations

Revenue

Our revenue consists of interest income, advisory fee income, income from sales of vinegar and other condiment products and income from sales of packaging and paper products during the Reporting Period. Our revenue increased from RMB22.8 million for the nine months ended 30 September 2022 to RMB25.0 million for the nine months ended 30 September 2023 mainly due to the increase in our packaging and paper products trading business of RMB5.0 million and manufacture and sale of vinegar and other condiment products business of RMB2.6 million, partially offset by the decrease in financial service of RMB5.4 million.

Other net income

Our other net income decreased from RMB1.7 million for the nine months ended 30 September 2022 to RMB0.6 million for the nine months ended 30 September 2023 primarily due to the decrease in government grants of RMB1.1 million.

Interest expense

Our interest expense decreased from RMB2.7 million for the nine months ended 30 September 2022 to RMB0.9 million for the nine months ended 30 September 2023 mainly due to the decrease in average monthly balance of loans.

Operating expense

Our operating expense increased from RMB8.3 million for the nine months ended 30 September 2022 to RMB9.7 million for the nine months ended 30 September 2023, mainly due to the increase in staff costs of RMB0.8 million, and the increase in research and development expenses of RMB0.6 million.

Impairment losses charged

Our impairment losses charged changed from RMB6.2 million for the nine months ended 30 September 2022 to a write back of RMB0.6 million for the nine months ended 30 September 2023, primarily due to the combined effect of (i) reversal of impairment losses of approximately RMB2.0 million in respect of the recovery of some receivables due over 90 days; and (ii) the increase in impairment provision of approximately RMB1.4 million for new factoring contracts entered during the year.

Sales expense

Our sales expense increased from RMB1.5 million for the nine months ended 30 September 2022 to RMB7.4 million for the nine months ended 30 September 2023 mainly due to the commencement of manufacture and sale of vinegar and other condiment products businesses.

Our sales expense mainly included (i) staff cost of RMB2.9 million; and (ii) business of promotion expenses of RMB2.1 million, (iii) service fees of RMB0.8 million; and (iv) travel expenses of RMB0.5 million.

Income tax (expense)/credit

Our Group recorded an income tax expense of RMB8.1 million for the nine months ended 30 September 2022 and an income tax expense of RMB1.1 million for the nine months ended 30 September 2023 primarily because for the nine months ended 30 September 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.

Loss for the period

Our loss for the period decreased from RMB15.2 million for the nine months ended 30 September 2022 to RMB11.6 million for the nine months ended 30 September 2023, mainly due to the decrease in income tax expenses and offset by the increase in sales expenses of vinegar and other condiment products businesses.

Material Investments, Acquisition and Disposals

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

As at 30 September 2023, we had no specific future plan for material investments or capital 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)

MANAGEMENT DISCUSSION AND ANALYSIS

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 retails 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 platforms 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

Corporate Governance

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

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) consists of two independent non-executive Directors, namely Mr. Tu Liandong (the chairman of the Audit Committee) and Mr. Chen Chaolin, and one non-executive Director, namely Mr. Ke Jinding.

The 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. The unaudited financial statements for the nine months ended 30 September 2023, together with this report have been reviewed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

Required Standard of Dealings for Securities Transactions

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

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

Purchase, Sale or Redemption of the Company’s Listed Securities

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

Share Option Scheme

The share option scheme was adopted by the Company and approved by the shareholders of the Company on 20 June 2018 (the “**Share Option Scheme**”) for the primary purposes of enabling the Company to attract, retain and motivate talented participants and, to strive for future developments and expansion of our Group. Eligible participants of the Share Option Scheme include any employees, 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.

OTHER INFORMATION

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

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

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

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

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

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 30 September 2023, the Company has no outstanding share option under the Share Option Scheme.

Dividend

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2023.

Competing Interests

During the Reporting Period, none of the Directors or the controlling shareholders 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.

Continuing Disclosure Requirements under the GEM Listing Rules

Save as disclosed in this report, as of 30 September 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 of the GEM Listing Rules.

OTHER INFORMATION

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

As of 30 September 2023, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (“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 ⁽¹⁾	Percentage in the total issued share capital
Mr. Ke Jinding ⁽²⁾	Non-executive Director	Interest in controlled corporation	37,968,750 Shares (L)	14.06%
Mr. Huang Dake ⁽³⁾	Executive Director	Interest in controlled corporation	12,430,934 Shares (L)	4.60%

Notes:

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

Save as disclosed above, as at 30 September 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.

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Interests and Short Positions of Substantial Shareholders

As at 30 September 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 ⁽¹⁾	Percentage in the total issued share capital
Mr. Zhou Yongwei ⁽²⁾	Interest in controlled corporation	124,143,908 Shares (L)	45.98%
Septwolves Holdings ⁽²⁾	Beneficial owner	118,968,750 Shares (L)	44.06%
Zijiang Capital	Beneficial owner	37,968,750 Shares (L)	14.06%
Mr. Ke Shuiyuan ⁽³⁾	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 ⁽⁴⁾	Interest in controlled corporation	15,187,500 Shares (L)	5.63%

Notes:

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

Save as disclosed above, as of 30 September 2023, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three and nine months ended 30 September 2023 (Expressed in Renminbi)

	Note	Three months ended 30 September 2023		Nine months ended 30 September 2023	
		RMB (Unaudited)	2022 RMB (Unaudited)	RMB (Unaudited)	2022 RMB (Unaudited)
Sales of packaging and paper products		6,192,741	1,052,492	16,642,057	11,638,419
Sales of vinegar and other condiment products		585,265	73,076	2,727,455	167,461
Interest income		1,357,285	3,756,238	5,630,698	11,014,401
Revenue	3	8,135,291	4,881,806	25,000,210	22,820,281
Other net income		106,295	1,126,687	594,974	1,749,326
Cost of packaging and paper products		(6,018,554)	(1,016,955)	(16,248,201)	(11,274,621)
Cost of vinegar and other condiment products		(577,998)	(74,679)	(2,468,111)	(149,419)
Net gain/(loss) from financial assets at fair value through profit or loss		662,570	(1,103,016)	894,228	(1,535,198)
Interest expense		(145,581)	(848,577)	(886,217)	(2,710,775)
Operating expense		(3,911,913)	(2,408,251)	(9,727,559)	(8,265,572)
Sales expense		(2,704,224)	(1,013,705)	(7,434,148)	(1,513,716)
Impairment losses written back/(charged)		1,430,375	(362,711)	564,781	(6,231,000)
Share of losses of an associate		(317,507)	-	(760,709)	-
Loss before taxation	4	(3,341,246)	(819,401)	(10,470,752)	(7,110,694)
Income tax expense	5	(809,590)	(1,041,062)	(1,148,564)	(8,120,631)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the three and nine months ended 30 September 2023 (Expressed in Renminbi)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2023	2022	2023	2022
		RMB	RMB	RMB	RMB
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period		(4,150,836)	(1,860,463)	(11,619,316)	(15,231,325)
Attributable to:					
Equity shareholders of the Company		(4,174,396)	(1,822,702)	(11,654,451)	(15,297,678)
Non-controlling interests		23,560	(37,761)	35,135	66,353
Loss for the period		(4,150,836)	(1,860,463)	(11,619,316)	(15,231,325)
Loss per share					
Basic and diluted (RMB cents)	6	(1.6)	(0.7)	(4.3)	(5.7)

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

For the three and nine months ended 30 September 2023 (Expressed in Renminbi)

	Note	Three months ended 30 September 2023		Nine months ended 30 September 2022	
		RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)
Loss for the period		(4,150,836)	(1,860,463)	(11,619,316)	(15,231,325)
Other comprehensive income for the period (after tax):					
Item that may be classified subsequently to profit or loss:					
– Exchange differences on translation of financial statements of operations outside the mainland China		(14,200)	(76,265)	(37,313)	(236,597)
Total comprehensive income for the period		(4,165,036)	(1,936,728)	(11,656,629)	(15,467,922)
Attributable to:					
Equity shareholders of the Company		(4,188,596)	(1,898,967)	(11,691,764)	(15,534,275)
Non-controlling interests		23,560	(37,761)	35,135	66,353
Total comprehensive income for the period		(4,165,036)	(1,936,728)	(11,656,629)	(15,467,922)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi (“RMB”) unless otherwise indicated)

1 General Information

The Company was incorporated in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of the Cayman Islands as an exempted company with limited liability on 5 June 2017. The Company is an investment holding company and the principal place of the Group’s operation is in the People’s Republic of China (the “PRC”).

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

2 Basis of preparation

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

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2023 have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

2 Basis of preparation (continued)

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

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

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

3 Revenue and segment reporting

(a) Disaggregation of revenue

The principal activities of the Group are providing equipment based financing solutions, factoring services, value-added advisory services to customers, sales of packaging and paper products and manufacture and sale of vinegar and other condiment products in the PRC. The amount of each significant category of revenue recognised during the three and nine months ended 30 September 2023 and 2022 is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2023 RMB (Unaudited)	2022 RMB (Unaudited)	2023 RMB (Unaudited)	2022 RMB (Unaudited)
Sales of products arising from				
Sales of packaging and paper products	6,192,741	1,052,492	16,642,057	11,638,419
Sales of vinegar and other condiment products	585,265	73,076	2,727,455	167,461
	6,778,006	1,125,568	19,369,512	11,805,880
Interest income from				
Finance leases receivables	70,879	115,252	271,385	875,452
Receivables from sale-leaseback transaction under loans and receivables	619,768	1,649,079	2,130,713	6,391,376
Factoring receivables	666,638	1,991,907	3,228,600	3,747,573
	1,357,285	3,756,238	5,630,698	11,014,401
	8,135,291	4,881,806	25,000,210	22,820,281

3 Revenue and segment reporting (continued)

(a) Disaggregation of revenue (continued)

- (i) The Group has two customers for the nine months ended 30 September 2023, with whom transactions have exceeded 10% of the Group’s aggregate revenue. Such revenue from the customers is set out below:

	Nine months ended 30 September	
	2023	2022
	RMB	RMB
Customer A	5,754,791	4,633,762
Customer B	2,711,336	3,765,771

3 Revenue and segment reporting (continued)

(b) Segment reporting

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

- Financial services segment: providing financial leasing service, factoring service and advisory service in the PRC. Income of financial leasing service takes the major portion of financial services for the nine months ended 30 September 2023.
- Packaging and paper products trading segment: starting from the year 2021, the Group set up Fujian Baiying Paper Co., Ltd. (“**Baiying Paper**”) to diversify the business of the Group. The main business of Baiying Paper is sales of packaging and paper products in the PRC.
- Manufacture and sale of vinegar and other condiment products segment: starting from the year 2021, the Group set up Fujian Yongchun Qiaoxin Brewing Co., Ltd. (“**Qiaoxin**”) to diversify the business of the Group. The main business of Qiaoxin is manufacturing and selling of vinegar and other condiment products in the PRC. As of 30 September 2023, Qiaoxin has started our orderly production and sales of the self-manufactured products.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results

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

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

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

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.

3 Revenue and segment reporting (continued)

	Nine months ended 30 September 2023			
	Financial services	Packaging and paper products trading	Manufacture and sale of vinegar and other condiment products	Total
Disaggregated by timing of revenue recognition				
Over time:				
Interest income	5,630,698	-	-	5,630,698
Point in time:				
Sales of packaging and paper products	-	16,642,057	-	16,642,057
Sales of vinegar and other condiment products	-	-	2,727,455	2,727,455
Reportable segment revenue	5,630,698	16,642,057	2,727,455	25,000,210
Other net income	479,287	4,070	111,617	594,974
Cost of packaging and paper products	-	(16,248,201)	-	(16,248,201)
Cost of vinegar and other condiment products	-	-	(2,468,111)	(2,468,111)
Net gain from financial assets at fair value through profit or loss	874,338	19,890	-	894,228
Interest expense	(795,106)	-	(91,111)	(886,217)
Operating expense	(2,785,938)	(200,692)	(6,740,929)	(9,727,559)
Sales expense	-	(99,484)	(7,334,664)	(7,434,148)
Impairment losses written back/(charged)	615,603	(13,285)	(37,537)	564,781
Share of losses of an associate	(760,709)	-	-	(760,709)
Reportable segment profit/(loss) before taxation	3,258,173	104,355	(13,833,280)	(10,470,752)
Income tax (expense)/credit	(1,372,384)	(26,277)	250,097	(1,148,564)
Reportable segment profit/(loss) for the period	1,885,789	78,078	(13,583,183)	(11,619,316)

3 Revenue and segment reporting (continued)

	Nine months ended 30 September 2022			
	Financial services	Packaging and paper products trading	Manufacture and sale of vinegar and other condiment products	Total
Disaggregated by timing of revenue recognition				
Over time:				
Interest income	11,014,401	–	–	11,014,401
Point in time:				
Sales of packaging and paper products	–	11,638,419	–	11,638,419
Sales of vinegar and other condiment products	–	–	167,461	167,461
Reportable segment revenue	11,014,401	11,638,419	167,461	22,820,281
Other net income	1,643,139	10,503	95,684	1,749,326
Cost of packaging and paper products	–	(11,274,621)	–	(11,274,621)
Cost of vinegar and other condiment products	–	–	(149,419)	(149,419)
Net (loss)/gain from financial assets at fair value through profit or loss	(1,551,171)	5,806	10,167	(1,535,198)
Interest expense	(2,705,708)	–	(5,067)	(2,710,775)
Operating expense	(4,027,960)	(239,903)	(3,997,709)	(8,265,572)
Sales expense	–	(84,431)	(1,429,285)	(1,513,716)
Impairment losses (charged)/written back	(6,380,749)	158,408	(8,659)	(6,231,000)
Reportable segment profit/(loss) before taxation	(2,008,048)	214,181	(5,316,827)	(7,110,694)
Income tax expense	(7,616,607)	(49,453)	(454,571)	(8,120,631)
Reportable segment profit/(loss) for the period	(9,624,655)	164,728	(5,771,398)	(15,231,325)

4 Loss before taxation

Loss before taxation is arrived at after charging:

	Three months ended 30 September 2023		Nine months ended 30 September 2023	
	RMB (Unaudited)	2022 RMB (Unaudited)	RMB (Unaudited)	2022 RMB (Unaudited)
(a) Staff cost				
Contributions to defined contribution retirement plan	113,316	145,416	421,916	364,907
Salaries, wages and other benefits	1,989,588	1,279,809	5,876,027	3,136,858
Subtotal	2,102,904	1,425,225	6,297,943	3,501,765
(b) Other items				
Depreciation charge – owned property and equipment	243,677	225,180	720,424	698,011
– right-of-use assets	177,305	101,496	725,277	405,012
Amortisation	23,672	76,675	68,862	121,865
Interest on lease liabilities	14,156	12,426	46,688	48,531
Auditors’ remuneration	166,927	–	522,650	660,377
Legal expense	119,964	154,812	297,531	318,206
Consulting expense	9,100	283,019	18,790	566,038
(c) Impairment losses (written back)/charged				
Finance lease receivables	(338,890)	118,571	(835,620)	6,564,686
Trade and other receivables	–	(10,375)	131,676	77,139
Loans and receivables	(1,091,485)	254,515	139,163	(410,825)
	(1,430,375)	362,711	(564,781)	6,231,000

5 Income tax (expense)/credit

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
– PRC Enterprise Income Tax				
Provision for the period	165,173	122,232	603,031	902,088
– Over-provision in respect of prior years	–	–	(6,779)	(341,880)
Deferred income tax				
– Reversal/(origination) of temporary differences	644,417	918,830	552,312	7,560,423
	809,590	1,041,062	1,148,564	8,120,631

Notes:

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

6 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the three months ended 30 September 2023 of RMB4,174,396 (loss for the three months ended 30 September 2022: RMB1,822,702) and the weighted average of 270,000,000 ordinary shares in issue (three months ended 30 September 2022: 270,000,000 shares in issue) during the three months ended 30 September 2023.

The calculation of basic loss per share is based on the loss for the nine months ended 30 September 2023 of RMB11,654,451 (loss for the nine months ended 30 September 2022: RMB15,297,678) and the weighted average of 270,000,000 ordinary shares in issue (nine months ended 30 September 2022: 270,000,000 shares in issue) during the nine months ended 30 September 2023.

(b) Diluted loss per share

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

7 Dividends

No dividends had been paid to the equity shareholders of companies now comprising the Group during the nine months ended 30 September 2023 (nine months ended 30 September 2022: nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi (“RMB”) unless otherwise indicated)

8 Unaudited Condensed Consolidated Statement of Changes in Equity For the nine months ended 30 September 2023 and 2022

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Capital reserve	Surplus reserve	Exchange reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2022	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
Changes in equity for the nine months ended 30 September 2022									
(Loss)/profit for the period	-	-	-	-	-	(15,297,678)	(15,297,678)	66,353	(15,231,325)
Other comprehensive loss	-	-	-	-	(236,597)	-	(236,597)	-	(236,597)
Total comprehensive loss	-	-	-	-	(236,597)	(15,297,678)	(15,534,275)	66,353	(15,467,922)
Balance at 30 September 2022	2,301,857	238,097,760	(6,640,176)	9,364,503	1,570,073	19,168,798	263,862,815	2,298,212	266,161,027
Balance at 1 January 2023	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
Changes in equity for the nine months ended 30 September 2023									
(Loss)/profit for the period	-	-	-	-	-	(11,654,451)	(11,654,451)	35,135	(11,619,316)
Other comprehensive loss	-	-	-	-	(37,313)	-	(37,313)	-	(37,313)
Total comprehensive loss	-	-	-	-	(37,313)	(11,654,451)	(11,691,764)	35,135	(11,656,629)
Balance at 30 September 2023	2,301,857	238,097,760	(6,640,176)	9,364,503	1,550,283	(3,579,280)	241,094,947	2,337,036	243,431,983