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Baiying Holdings Group Limited

百應控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8525)

DECISION OF THE LISTING REVIEW COMMITTEE TO OVERTURN THE GEM LISTING COMMITTEE'S DECISION TO SUSPEND TRADING IN THE COMPANY'S SHARES

This announcement is made by Baiying Holdings Group Limited (the “**Company**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 17.10 of the GEM Listing Rules.

References are made to the announcements of the Company dated 10 July 2023, 18 July 2023, 26 October 2023 and 3 November 2023 (collectively, the “**Announcements**”). Capitalised terms used herein shall have the same meanings as defined in the Announcements unless the context requires otherwise.

The Board wishes to inform the shareholders and potential investors of the Company that the Listing Review Committee hearing (the “**Hearing**”) was held on 26 January 2024. On 21 February 2024, the Company received a letter from the Stock Exchange notifying the Company that the Listing Review Committee, having considered all the facts and evidence, and all the submissions presented by the Company and the Listing Division (together, the “**Review Parties**”), the Listing Review Committee decided to overturn the GEM Listing Committee’s decision to suspend trading in the Company’s shares under Rule 9.04(3) of the GEM Listing Rules (the “**LRC Decision**”).

The Listing Review Committee’s views:

1. The Listing Review Committee noted that the main issue was whether at the time of the Hearing, the Company had demonstrated to the Listing Review Committee’s satisfaction that the Company carried out a business with a sufficient level of operations and assets of sufficient value to support its operations in compliance with GEM Listing Rule 17.26.
2. The Listing Review Committee observed that the Note to GEM Listing Rule 17.26 indicates that the assessment of compliance with GEM Listing Rule 17.26 is a qualitative test and that the Listing Review Committee should make its assessment in this matter based on the specific facts and circumstances faced by the Company.

3. Having taken into account the submissions from the Review Parties and considered the update provided on the latest financial results from the Company at the Hearing, including those for the figures of its three main businesses for the full year of 2023, the Listing Review Committee found that the Company had demonstrated that as of the time of the Hearing it operated a business that was of substance, viable and sustainable.
4. The Listing Review Committee noted the Company's efforts in prudently and diligently navigating through difficult times created as a result of changes in regulations on the financial services industry in the PRC coupled with the impact of COVID-19 from 2019 to 2022. In relation to the status of the Company's businesses, the Listing Review Committee noted that:
 - (i) The Company's Financial Services Business had more than doubled the expected segment profits for 2023. The positive turnaround for the Financial Services Business had been achieved despite revenue figures being largely stable as the Company had undertaken steps to lower the costs and expenses for the Financial Services Business to improve its profitability and achieve stable segment profits. While the Listing Review Committee noted that the expected revenue of the Financial Services Business was to remain at or around its previously forecasted amount for the coming two years, it did not share the concern expressed by the Listing Division and the GLC Decision as to the small scale of operation of the Financial Service Business. The Listing Review Committee took the view that Company had adopted a conservative strategy and instead of taking additional risks for the purpose of increasing revenue for the Financial Services Business, the Company had chosen to focus on lowering expenses in order to achieve profitability. This was evidenced by the fact that the Company had been able to exceed its profit forecast for the Financial Services Business for 2023. The Listing Review Committee considered that the Company had put itself on track to generate the expected profits similar to 2023 for 2024 and 2025 with its Financial Services Business as supported by concluded and expected contracts. On balance, while noting the Listing Division's concerns as to the relatively small scale of operation, the Listing Review Committee considered that the Company had addressed the concerns as to the viability and sustainability of the Financial Services Business with a more cost-effective operating model in place and contracts concluded and expected to be concluded in order to secure the profitability of Financial Services Business going forward. The Listing Review Committee noted the Company's submissions that the deterioration in performance of the Financial Services Business had largely been due to change in regulations in the PRC rather than the Company's own fault. Noting the impact of the regulatory changes, the Listing Review Committee considered that the Company had been working prudently and diligently to keep the operations of the Financial Services Business going in a viable and sustainable manner.

- (ii) For the Paper Business, the Listing Review Committee noted that the Company intended this business to be supportive of or supplementing the Financial Services Business in terms of revenue generation and potentially by further synergies through finance arrangements as part of the Financial Services Business that could assist the customers of the Paper Business. While the Listing Review Committee noted that the revenue of the Paper Business was relatively high for 2023 which was projected to grow for 2024 and 2025, the profit margin was relatively thin. However, despite such a relatively small profit margin, which had been one of the concerns of the Listing Division and the GLC Decision for the Paper Business, the Company had managed to achieve a segment profit for 2023 and this small segment profit was projected to grow proportionately to the steady growth in revenue. The Listing Review Committee considered therefore that with the recent segment profit and the stable forecast, the Company had addressed the concerns as to track record and profitability of the Paper Business.
- (iii) The Listing Review Committee noted that the Company had started to build up the Vinegar Business over the last year or so which was why the Company had not been able to turn a profit from the business as the initial investment was much higher than the small revenue that was generated by the Vinegar Business up to this point. Noting the Company's submissions that the production of vinegar required time before revenue through sales could be generated and the Company's efforts to set up sales channels and distribution, the Listing Review Committee took the view that it was unsurprising that during such initial period when the Vinegar Business was set up it had been unprofitable. The Listing Review Committee, however, noted that the Company had achieved a breakthrough in revenue from the Vinegar Business at the end of 2023 and carried this momentum over into 2024. The Listing Review Committee further noted that the main investments in the Vinegar Business had been made and its capacity could now be utilized which had been reflected in the revenue for December 2023. The Company had presented plans to build on this momentum by further utilizing the distribution channels it had managed to establish and by also focusing on online sales. On balance, based on the way the Vinegar Business had been set up, how it progressed to a stage where the Company could now start to increase its revenue and profitability, and how future development prospects had been enhanced by the Company's distribution plans and arrangements, the Listing Review Committee did not share the concerns as to the track record of the Vinegar Business and lack of concrete plans for its further development expressed by the Listing Division and in the GLC Decision. The Listing Review Committee considered that the Company had addressed the concerns as to the viability and sustainability of the Vinegar Business at the Hearing.
- (iv) As for assets, the Listing Review Committee noted that the Company had maintained an adequate level of cash as at 31 December 2023 and had a net asset value of RMB247.6 million as at 30 September 2023, which the Listing Review Committee considered to be sufficient to support the Company's operations going forward.

5. On balance, the Listing Review Committee found that the Company, at the time of the Hearing, based on its latest updates including the positive results (albeit as yet unaudited) it had been able to achieve for 2023, had addressed the concerns of the Listing Division and demonstrated that its businesses were of substance, sustainable and viable and complied with GEM Listing Rule 17.26.

Decision

6. The Listing Review Committee therefore decided to overturn the GEM Listing Committee's decision to suspend the Company's shares under GEM Listing Rule 9.04(3).

Shareholders who have any queries about the implications of the LRC Decision are advised to obtain appropriate professional advice. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Fujian Province, the PRC, 22 February 2024

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

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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