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Buyang International Holding Inc

步陽國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(stock code: 2457)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

The Board of the Company is pleased to announce the audited consolidated financial results of the Group for the year ended December 31, 2022, together with the comparative figures for the year ended December 31, 2021.

RESULTS SUMMARY

| | For the year ended | | Year-on-year changes |
|-----------------------------------------|---------------------------|----------------|-----------------------------|
| | 31 December | | |
| | 2022 | 2021 | |
| | RMB'000 | RMB'000 | |
| Revenue | 440,329 | 440,356 | (<0.01)% |
| Gross profit | 86,772 | 77,169 | 12.4% |
| Profit before tax | 71,920 | 50,323 | 42.9% |
| Profit for the year | 53,984 | 37,663 | 43.3% |
| Total comprehensive income for the year | 54,068 | 37,685 | 43.5% |
| Earnings per share (basic and diluted) | RMB0.07 | RMB0.05 | 40.0% |

Revenue in 2022 amounted to approximately RMB440.3 million, remaining stable as compared to approximately RMB440.4 million in 2021.

Profit for the year in 2022 amounted to approximately RMB54.0 million, representing an increase of 43.3% as compared to approximately RMB37.7 million in 2021.

Total comprehensive income for the year in 2022 amounted to approximately RMB54.1 million, representing an increase of 43.5% as compared to approximately RMB37.7 million in 2021.

Basic and diluted earnings per share for the year ended December 31, 2022 were approximately RMB0.07, representing an increase of 40.0% as compared to approximately RMB0.05 for the year ended December 31, 2021.

The Board does not recommend the payment of a final dividend in 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|-------------------------------------------------------------------------------------------------|------|------------------------|------------------------|
| Revenue | 3 | 440,329 | 440,356 |
| Cost of sales | | <u>(353,557)</u> | <u>(363,187)</u> |
| Gross profit | | 86,772 | 77,169 |
| Other revenue | 4(a) | 1,685 | 937 |
| Other net gain/(loss) | 4(b) | 7,410 | (2,554) |
| Selling and distribution expenses | | (8,162) | (10,208) |
| Administrative and other operating expenses | | (15,202) | (14,778) |
| Impairment loss on trade receivables | | (1,757) | (771) |
| Profit from operations | | 70,746 | 49,795 |
| Finance income | | 2,546 | 2,097 |
| Finance costs | | (1,372) | (1,569) |
| Net finance income | 5(a) | <u>1,174</u> | <u>528</u> |
| Profit before taxation | 5 | 71,920 | 50,323 |
| Income tax | 6 | (17,936) | (12,660) |
| Profit for the year | | <u>53,984</u> | <u>37,663</u> |
| Other comprehensive income for the year (after tax and reclassification adjustments) | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Exchange difference on translation of financial statements of the Company | | 11,443 | (2,767) |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference on translation of financial statements of entities outside mainland China | | (11,359) | 2,789 |
| Other comprehensive income for the year | | <u>84</u> | <u>22</u> |
| Total comprehensive income for the year | | <u>54,068</u> | <u>37,685</u> |
| Earnings per share | 7 | | |
| Basic and diluted | | <u>RMB0.07</u> | <u>RMB0.05</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|----------------------------------------------|------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | | 53,141 | 60,550 |
| Right-of-use assets | | 16,677 | 17,408 |
| Intangible assets | | 198 | 268 |
| Deferred tax assets | | 1,647 | 901 |
| Prepayments | | 32 | 13 |
| | | <u>71,695</u> | <u>79,140</u> |
| Current assets | | | |
| Inventories | | 57,762 | 77,927 |
| Trade and other receivables | 9 | 77,727 | 91,003 |
| Pledged deposits | | 15,690 | 27,986 |
| Cash and cash equivalents | | 270,728 | 72,206 |
| | | <u>421,907</u> | <u>269,122</u> |
| Current liabilities | | | |
| Bank loans | | — | 30,035 |
| Trade and other payables | 10 | 106,013 | 90,105 |
| Contract liabilities | | 7,881 | 3,791 |
| Lease liabilities | | 445 | 419 |
| Current taxation | | 2,931 | 1,673 |
| | | <u>117,270</u> | <u>126,023</u> |
| Net current assets | | <u>304,637</u> | <u>143,099</u> |
| Total assets less current liabilities | | <u>376,332</u> | <u>222,239</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 7,120 | 7,565 |
| Deferred income | | 1,748 | 254 |
| | | <u>8,868</u> | <u>7,819</u> |
| NET ASSETS | | <u>367,464</u> | <u>214,420</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 6,952 | 1,057 |
| Reserves | | 360,512 | 213,363 |
| TOTAL EQUITY | | <u>367,464</u> | <u>214,420</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 November 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2022 (the "Listing"). The Group is principally engaged in the manufacturing and sales of a broad range of aluminium alloy wheels for automobiles.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements of Buyang International Holding Inc (the "Company") and its subsidiaries (together referred to as the "Group") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the “**Functional Currency**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, except when otherwise indicated, which is the functional currency of the Group’s subsidiaries established in mainland China. The functional currency of the Company and the Company’s subsidiaries outside mainland China are Hong Kong Dollars (“**HKD**”). The Group translates the financial statements of the Company and the Company’s subsidiaries outside mainland China from HKD into RMB.

The preparation of financial statements in conformity with HKFRSs 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 that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

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

- Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

None of these amendments 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the manufacturing and sales of a broad range of aluminium alloy wheels for automobiles. The Group's revenue from contracts with customers were recognised at point in time for the reporting period.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---------------------------------|------------------------|------------------------|
| Sales of aluminium alloy wheels | 432,409 | 429,458 |
| Sales of others | 7,920 | 10,898 |
| | <u>440,329</u> | <u>440,356</u> |

Disaggregation of revenue from contracts with customers by continent of delivery is disclosed in Note 3(b)(i).

(ii) The Group's customers with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2022 and 2021 are set out below:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|----------------------------|------------------------|------------------------|
| Customer A (<i>Note</i>) | <u>*</u> | <u>46,708</u> |

* Transactions with these customers did not exceed 10% of the Group's revenue for the year ended 31 December 2022.

Note: Customer A include a group of entities that are under the common control of the same ultimate shareholder.

(iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For sales contracts of goods with original expected duration of less than one year, the Group has elected not to disclose information about the remaining performance obligations.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by geography. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no segment information is presented.

Geographical information

(i) Revenue from external customers by continent of delivery

| | 2022 | 2021 |
|---------|----------------|---------|
| | RMB'000 | RMB'000 |
| Asia | 286,475 | 206,921 |
| Europe | 35,710 | 76,710 |
| America | 111,504 | 145,643 |
| Africa | 5,231 | 8,926 |
| Oceania | 1,409 | 2,156 |
| | 440,329 | 440,356 |

(ii) Non-current asset

The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the assets is provided.

4 OTHER REVENUE AND OTHER NET GAIN/(LOSS)

(a) Other revenue

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|-------------------|------------------------|------------------------|
| Government grants | <u>1,685</u> | <u>937</u> |

(b) Other net gain/(loss)

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|-------------------------------------------------------|------------------------|------------------------|
| Net loss on disposal of property, plant and equipment | (214) | (126) |
| Net exchange gain/(loss) | <u>7,624</u> | <u>(2,428)</u> |
| | <u>7,410</u> | <u>(2,554)</u> |

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting)/charging:

(a) Net finance income

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|----------------------------------|------------------------|------------------------|
| Interest income on bank deposits | (2,546) | (2,097) |
| Interest on bank loans | 934 | 1,107 |
| Interest on lease liabilities | <u>438</u> | <u>462</u> |
| Net finance income | <u>(1,174)</u> | <u>(528)</u> |

(b) Staff costs

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--------------------------------------------------------|-------------------------------|------------------------|
| Salaries and other benefits | 45,987 | 50,426 |
| Contributions to defined contribution scheme (Note) | <u>1,462</u> | <u>1,963</u> |
| | <u>47,449</u> | <u>52,389</u> |

Note: The Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated based on certain percentages of the prevailing average salary as agreed by the local municipal government to the schemes to fund the retirement benefits of the employees. The Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

(c) Other items

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|------------------------------------------------|-------------------------------|------------------------|
| Cost of inventories* | 353,557 | 363,187 |
| Depreciation | | |
| — Property, plant and equipment | 15,251 | 15,164 |
| — Right-of-use assets | 744 | 506 |
| Amortisation of intangible assets | 123 | 114 |
| Impairment loss on trade and other receivables | 1,757 | 771 |
| Auditors' remuneration | 1,400 | — |
| Listing expenses | 5,351 | 6,757 |

* Cost of inventories include RMB55,241,000 relating to staff costs and depreciation expenses for the year ended 31 December 2022 (2021: RMB60,134,000), which amounts are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---------------------------------------------------|------------------------|------------------------|
| Current tax | | |
| PRC corporate income tax | 18,682 | 12,938 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (746) | (278) |
| | <u>17,936</u> | <u>12,660</u> |

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The applicable profits tax rate of the Group's subsidiary incorporated in Hong Kong was 16.5%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year ended 31 December 2022.
- (iii) The Group's PRC subsidiary is subject to PRC income tax at 25%.

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|----------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Profit before taxation | <u>71,920</u> | <u>50,323</u> |
| Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned | 17,923 | 12,640 |
| Tax effect of non-deductible expenses, net of non-taxable income | 13 | 20 |
| Actual tax expense | <u>17,936</u> | <u>12,660</u> |

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB53,984,000 (2021: RMB37,663,000) and the weighted average of 759,884,932 ordinary shares (2021: 748,000,000 ordinary shares) in issue during the year ended 31 December 2022.

Weighted average number of ordinary shares

| | 2022 | 2021 |
|-----------------------------------------------------------------------------|---------------------------|---------------------------|
| Issued ordinary shares at the beginning of the year | 150,000,000 | 150,000,000 |
| Effect of shares issued by capitalization of balance due to related parties | 241,096 | — |
| Effect of capitalisation issue | 598,000,000 | 598,000,000 |
| Effect of shares issued upon initial public offering | 11,643,836 | — |
| | <hr/> | <hr/> |
| Weighted average number of ordinary shares at the end of the year | <u>759,884,932</u> | <u>748,000,000</u> |

The number of ordinary shares outstanding before the capitalisation issue completed on 15 December 2022 were retrospectively adjusted to reflect the impact of the capitalisation issue, as if the capitalisation issue had occurred at the beginning of the each of reporting period.

There were no dilutive potential shares outstanding for the years ended 31 December 2022 and 2021 and therefore the diluted earnings per share are same as the basic earnings per share.

8 CAPITAL AND DIVIDENDS

(a) Share capital

Issued share capital

| | 2022 | | | 2021 | | |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|
| | No. of shares (<i>'000</i>) | Amount <i>HKD'000</i> | Amount <i>RMB'000</i> | No. of shares (<i>'000</i>) | Amount <i>HKD'000</i> | Amount <i>RMB'000</i> |
| Ordinary shares, issued and fully paid: | | | | | | |
| At the beginning of the year | 150,000 | 1,167 | 1,057 | 150,000 | 1,167 | 1,057 |
| Issue of ordinary shares by capitalization of balance due to related parties (<i>Note (i)</i>) | 2,000 | 16 | 14 | — | — | — |
| Capitalisation issue (<i>Note (ii)</i>) | 598,000 | 4,650 | 4,147 | — | — | — |
| Issue of ordinary shares upon initial public offering (<i>Note (iii)</i>) | 250,000 | 1,944 | 1,734 | — | — | — |
| At the end of the year | <u>1,000,000</u> | <u>7,777</u> | <u>6,952</u> | <u>150,000</u> | <u>1,167</u> | <u>1,057</u> |

Notes:

- (i) Issue of ordinary shares by capitalization of balance due to related parties

On 18 November 2022, the Company allotted and issue 2,000,000 shares of the Company respectively to First Oriental Limited which is one of shareholders of the Company to settle off the balance of amounts due to First Oriental Limited amounting to HKD1,410,000 (equivalent to RMB1,281,000) out of which HK\$16,000 (equivalent to RMB14,000) and HK\$1,394,000 (equivalent to RMB1,267,000) were recorded in share capital and share premium respectively.

- (ii) Capitalisation issue

Pursuant to the resolutions of the Company's shareholders passed on 18 November 2022, the directors of the Company are authorised to allot and issue a total of 598,000,000 shares credited as fully paid at par to shareholders whose names appear on the register of members of the Company at the close of business on the date immediately prior to the Listing Date in proportion to their respective shareholdings by way of capitalisation of the sum of USD598,000 (equivalent to RMB4,147,000) standing to the credit of the share premium account of the Company.

- (iii) Issue of ordinary shares upon initial public offering

On 15 December 2022, the Company issued 250,000,000 shares with par value of US\$0.001, at a price of HK\$0.50 per share by initial public offering. Net proceeds from such issue amounted to HK\$109,561,000 (equivalent to RMB97,695,000) out of which HK\$1,944,000 (equivalent to RMB1,734,000) and HK\$107,617,000 (equivalent to RMB95,961,000) were recorded in share capital and share premium respectively.

(b) Dividends

The directors of the Company did not propose any declaration of dividend during the reporting period.

9 TRADE AND OTHER RECEIVABLES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--------------------------------------------------------|-------------------------------|------------------------|
| Trade receivables | | |
| — Third parties | 79,502 | 78,092 |
| Bills receivable | 820 | 597 |
| Less: Loss allowance for trade and bills receivable | (2,782) | (1,025) |
| | <hr/> | <hr/> |
| Financial assets measured at amortised cost | 77,540 | 77,664 |
| Value-added tax recoverable and others | 64 | 16 |
| Prepayment | 123 | 13,323 |
| | <hr/> | <hr/> |
| | <u>77,727</u> | <u>91,003</u> |

Ageing analysis of trade and bills receivables

As at the end of each reporting period, the ageing analysis of trade and bills receivables based on the date of revenue recognition and net of loss allowance is as follows:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|------------------------------------|-------------------------------|------------------------|
| Within 3 months | 61,795 | 70,512 |
| Over 3 months but within 6 months | 7,703 | 5,014 |
| Over 6 months but within 12 months | 8,042 | 381 |
| Over 12 months | — | 1,757 |
| | <hr/> | <hr/> |
| | <u>77,540</u> | <u>77,664</u> |

10 TRADE AND OTHER PAYABLES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--------------------------------------------------|------------------------|------------------------|
| Trade payables | | |
| — Third parties | 54,173 | 23,153 |
| — Related parties | 471 | 485 |
| Bills payable | <u>15,690</u> | <u>27,986</u> |
| | 70,334 | 51,624 |
| Other payables and accruals | 22,122 | 25,688 |
| Advances from related parties | <u>—</u> | <u>1,153</u> |
| Financial liabilities measured at amortised cost | 92,456 | 78,465 |
| Accrued payroll and other benefits | 10,694 | 10,456 |
| Other taxes and charges payable | <u>2,863</u> | <u>1,184</u> |
| | <u>106,013</u> | <u>90,105</u> |

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Within 3 months | 56,271 | 32,455 |
| Over 3 months but within 6 months | 12,803 | 18,128 |
| Over 6 months but within 12 months | 314 | 173 |
| Over 12 months | <u>946</u> | <u>868</u> |
| | <u>70,334</u> | <u>51,624</u> |

BUSINESS OVERVIEW AND OUTLOOK

Overview

The Company was successfully listed on the Main Board of the Stock Exchange on December 15, 2022.

The Company issued 250,000,000 ordinary shares with a par share of US\$0.001 each at an offer price of HK\$0.50 per share, raising net proceeds of approximately HK\$75.1 million (after deducting the Listing expenses). As at the Listing Date, the authorised share capital of the Company was US\$2,000,000, divided into 2,000,000,000 ordinary shares of US\$0.001 each.

We are an aluminum alloy automobile wheel manufacturer focusing on the aftermarket which is the market for parts and accessories used in the repair or maintenance of an automobile. We manufacture and sell different types of aluminum alloy automobile wheels to our customers. For the year ended December 31, 2022, our revenue amounted to approximately RMB440.3 million.

Our principal operating subsidiary, Buyang Wheel, was incorporated in 2007. Our manufacturing facility is located in Yongkang City, Jinhua City, Zhejiang Province, PRC, and is leased from Buyang Group Co., Ltd., which is controlled by our Controlling Shareholders. As of December 31, 2022, we self-owned and operated 31 gravity casting machines, 12 low pressure casting machines, 52 CNC lathes, 22 machining centers, 3 pre-treatment spray equipment, 7 powder spray machines and 10 liquid spray machines and had a maximum designed production capacity of approximately 1.2 million units of aluminum alloy automobile wheel per year.

Business Model

We are primarily engaged in the design, production and sales of aluminum alloy automobile wheels to domestic and overseas customers who purchase our branded and non-branded products. We cooperate closely with our customers to provide them with high quality products which are tailor-made to their specifications and budgets in a timely manner.

Aluminium ingot prices show cyclical fluctuations in 2022. In early 2022, aluminum ingot price increased significantly after a short-term decrease in the fourth quarter of 2021, which can be attributable to several reasons from both the supply and demand side. On the supply side, in February and March 2022, COVID-19 broke out in Baise City, Guangxi Province, the PRC, which is one of the most important production cities of bauxite and aluminum ingot, and large-scale lockdown of Baise City directly impacted the aluminum ingot delivery capability and drove an increase in price. Additionally, the increasing energy price also increased the cost of aluminum ingot given that energy is the largest component of aluminum ingot production cost. On the demand side, the new energy vehicle, infrastructure and real estate sectors have been heating up since early 2022, driving the increase of demand for aluminum products, which jointly pushed up the price of aluminum ingot. From May to September 2022, the average price of aluminum ingot went into a downward trend, primarily attributable to the COVID-19 outbreaks in the PRC, including the two most developed cities, Shanghai and Beijing. The outbreaks led to large-scale lockdown and severely impacted the economy including the manufacturing industry, and demand for aluminum ingot decreased during the second and third quarter of 2022, which led to the drop of aluminum ingot price. The price of aluminum ingot was around RMB18,000 to RMB23,000 per ton in 2022.

Our top five customers in terms of revenue during 2022 were wholesale traders and after-sales retailers in the aftermarket. During 2022, we made consistent effort to expand our sales in overseas market. We generated revenue of approximately RMB230.5 million during 2022 from sales to overseas markets.

Our customers are mainly aluminum alloy automobile wheel wholesale traders and retailers in the aftermarket. We had 169 customers located in the PRC and had 59 customers located in overseas countries and territories during 2022.

Our products are mainly categorized by size, in particular the diameter of the aluminum alloy automobile wheels. The table below sets forth details of our products by type.

| Type | Diameter | Main utilization |
|-------------|-----------------|---------------------------------------------------|
| Small | 12–16 inches | Subcompact and compact car |
| Medium | 17–20 inches | Mid-size and large car and sports utility vehicle |
| Large | 21–24 inches | Full-size sports utility vehicle and pickup truck |

We generally design and produce aluminum alloy automobile wheels with a wide variety of elements, including size, design and color pursuant to customers' specific requirements and specifications. We also periodically offer our own designs to our customers based on our knowledge of contemporary market trends.

The following table sets forth our revenue by sizes of aluminum alloy automobile wheel, in absolute amount and as a percentage of total revenue derived from sales of aluminum alloy automobile wheels, during 2021 and 2022:

| | Year ended December 31 | | | |
|------------------------------------------------|-------------------------------|---------------------|-----------------------|---------------------|
| | 2022 | | 2021 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Small | 55,361 | 12.8 | 56,150 | 13.1 |
| Medium | 326,090 | 75.4 | 315,917 | 73.5 |
| Large | 50,958 | 11.8 | 57,391 | 13.4 |
| Total sales of aluminum alloy automobile wheel | <u>432,409</u> | <u>100.0</u> | <u>429,458</u> | <u>100.0</u> |

FUTURE PROSPECTS

The Listing marks an important milestone in the Company's history as it was a recognition of our efforts in business development and past success. The Board believes that a public listing status is a form of complementary advertising which will further enhance the corporate profile, assist in reinforcing the brand awareness and market reputation, enhance the credibility with the public and potential business partners and offer the Company a broader shareholder base which will provide liquidity in the trading of the Shares.

To drive sustainable long-term growth, we will continue to develop new products, expand our multi-channel sales and distributions network, enhance brand recognition, expand production capacities and improve operational efficiency and invest in human capital development. We will endeavor to consistently outperform the market and deliver superior results for our shareholders, employees and communities in a socially and environmentally responsible manner.

FINANCIAL REVIEW

Revenue

Our revenue remained stable at approximately RMB440.3 million for 2022 as compared to approximately RMB440.4 million for 2021.

Sales of aluminum alloy automobile wheel

Our total revenue from sales of aluminum alloy steamers slightly increased from approximately RMB429.5 million in 2021 to approximately RMB432.4 million in 2022 as our business remained stable.

Sales of other products

Our total revenue from sales of other products decreased by approximately 27.3% from approximately RMB10.9 million in 2021 to RMB7.9 million in 2022.

Sales by geographic market

The majority of our revenue is generated from overseas markets. During the Reporting Period, revenue from sales in overseas markets accounted for 52.4% of total revenue. Revenue from sales in overseas markets decreased by 21.0% from approximately RMB291.8 million in 2021 to approximately RMB230.5 million in 2022. Our revenue from Asia increased by 38.5% from approximately RMB206.9 million in 2021 to approximately RMB286.5 million in 2022. Our revenue from the America decreased by 23.4% from approximately RMB145.6 million in 2021 to approximately RMB111.5 million in 2022. Our revenue from Europe decreased by 53.5% from approximately RMB76.7 million in 2021 to approximately RMB35.7 million in 2022. Our revenue from Africa decreased by 41.6% from approximately RMB8.9 million in 2021 to approximately RMB5.2 million in 2022. Our revenue from Oceania decreased by 36.4% from approximately RMB2.2 million in 2021 to approximately RMB1.4 million in 2022.

Cost of Sales

Our cost of sales decreased by 2.7% from approximately RMB363.2 million in 2021 to approximately RMB353.6 million in 2022, primarily due to the decrease in the sales volume of aluminum alloy automobile wheels.

Gross Profit and Gross Profit Margin

Our gross profit increased by 12.4% from approximately RMB77.2 million in 2021 to approximately RMB86.8 million in 2022, primarily due to the increase in the sales price of aluminum alloy automobile wheels.

Our gross margin increased from 17.5% in 2021 to 19.7% in 2022, primarily due to the increase in the sales price of aluminum alloy automobile wheels.

Other Revenue

Our other revenue consisted of government grants. Such government grants included financial subsidies for various aspects of our operations, which were granted by local government authorities in the PRC.

Our other revenue increased by 79.8% from approximately RMB0.9 million in 2021 to approximately RMB1.7 million in 2022, primarily due to the increase in types of government grants we received, including (i) employment stabilization subsidy, (ii) vocational training subsidy, and (iii) subsidy to promote enterprise income growth.

Other Net Gain/(Loss)

Our other net gain/(loss) primarily included net exchange gain/(loss), which were primarily attributable to translation of our trade and other receivables and cash at bank denominated in U.S. dollar into RMB.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 20.0% from approximately RMB10.2 million in 2021 to approximately RMB8.2 million in 2022, primarily due to the decrease in our transportation and customs clearance fee.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 2.9% from approximately RMB14.8 million in 2021 to approximately RMB15.2 million in 2022, primarily due to the increase in professional service fee.

Net Finance Income/(Costs)

Our net finance income increased by 122.3% from approximately RMB0.5 million in 2021 to approximately RMB1.2 million in 2022, primarily due to the increase in interest income on bank deposits.

Income Tax

Our income tax increased by 41.7% from approximately RMB12.7 million in 2021 to approximately RMB17.9 million in 2022 primarily due to the increase in profit before taxation. Our effective tax rate remains stable at 25.2% and 24.9% in 2021 and 2022, respectively.

Profit for the Year

Based on the above, our profit for the year increased by 43.3% from approximately RMB37.7 million in 2021 to approximately RMB54.0 million in 2022 and our net profit margin increased from 8.6% in 2021 to 12.3% in 2022.

Our adjusted profit for the year (a non-HKFRS measure), representing the net profit for the year adjusted by adding back Listing expenses, increased by 33.6% from approximately RMB44.4 million in 2021 to approximately RMB59.3 million in 2022 and our adjusted net profit margin increased from 10.1% in 2021 to 13.5% in 2022.

Liquidity and Financial Resources

Our total assets increased by 41.7% from approximately RMB348.3 million as of December 31, 2021 to approximately RMB493.6 million as of December 31, 2022, mainly due to the proceeds from the Listing. Total liabilities decreased by 5.8% from approximately RMB133.8 million as of December 31, 2021 to approximately RMB126.1 million as of December 31, 2022, primarily due to the decrease in the amount of short-term bank loans.

As at December 31, 2022, current assets amounted to approximately RMB421.9 million, representing an increase of 56.8% from approximately RMB269.1 million as at December 31, 2021. Of which, inventories were approximately RMB57.8 million (December 31, 2021: RMB77.9 million); trade and other receivables were approximately RMB77.7 million (December 31, 2021: RMB91.0 million); pledged deposits were approximately RMB15.7 million (December 31, 2021: RMB28.0 million). Current liabilities amounted to approximately RMB117.3 million (December 31, 2021: RMB126.0 million); trade and other payables amounted to approximately RMB106.0 million (December 31, 2021: RMB90.1 million); contract liabilities amounted to approximately RMB7.9 million (December 31, 2021: RMB3.8 million); lease liabilities of approximately RMB0.4 million (December 31, 2021: RMB0.4 million); and current taxation of approximately RMB2.9 million (December 31, 2021: RMB1.7 million). Non-current liabilities amounted to approximately RMB8.9 million (December 31, 2021: RMB7.8 million).

Cash and Cash Equivalents

As of December 31, 2022, our cash and cash equivalents amounted to approximately RMB270.7 million, representing an increase of 274.9% from approximately RMB72.2 million as of December 31, 2021, mainly due to the proceeds from the Listing.

Funding and Treasury Policy

The Group's funding and finance policy aims to maintain stable financial position and mitigate financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

Borrowings

As of December 31, 2022, the bank loans of the Group was nil (December 31, 2021: RMB30.0 million).

Gearing Ratio

The Group's gearing ratio (which equals total debt (including bank loans and lease liabilities) divided by total equity) decreased from 17.7% as of December 31, 2021 to 2.1% as of December 31, 2022.

Capital structure

As at the date of this announcement, the issued share capital of the Company was US\$1.0 million, comprising 1,000,000,000 Shares of nominal value of US\$0.001 per Share.

Working Capital

As at December 31, 2022, our net current assets amounted to approximately RMB304.6 million (December 31, 2021: RMB143.1 million). Our current assets principally consist of inventories, trade and other receivables, cash and cash equivalents and pledged deposits. Our current liabilities principally consist of trade and other payables, bank loans and current taxation.

Capital Expenditures

As at December 31, 2022, we incurred and settled capital expenditure, mainly comprising expenditure on property, plant and equipment and intangible assets, of approximately RMB7.7 million (December 31, 2021: RMB20.4 million), mainly for the purchase of equipment to meet different business needs.

Capital Commitments

We have not repaid our capital commitments as at December 31, 2022 and the capital commitments for which no provision has been made in the historical financial information amounted to approximately RMB21,000 (December 31, 2021: RMB13,000), mainly due to the Group's expenditure on property, plant and equipment.

In addition, in connection with the Prospectus, we intend to (i) expand our production capacity in 2023, including the acquisition of new equipment for the production of aluminium alloy steam turbines; (ii) construct new production plants, warehouses and other ancillary facilities on potential sites to be acquired to complement our expanded production capacity; and (iii) design, develop and test our new moulds and prototypes. Each of these plans will constitute a capital commitment on our part. We expect to fund these capital expenditures with cash from operations, bank and other loans and proceeds from the Global Offering.

Pledge of Assets

As at December 31, 2022, we had collateral deposits of RMB15.7 million (December 31, 2021: RMB28.0 million), which mainly consist of deposits for the issuance of bank acceptance bills. The pledged deposits will be released upon settlement of the relevant bank acceptance bills or maturity of the relevant derivative financial instruments by the Group.

Contingent Liabilities

During the Reporting Period, we did not have any material contingent liabilities.

Significant Investments Held

During the Reporting Period, the Group did not hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at December 31, 2022).

Material Acquisitions and Disposals of Subsidiaries and Associates

During the Reporting Period, the Group did not have material acquisitions or disposals of subsidiaries or associates.

Future Plans for Major Investments and Capital Assets

During the Reporting Period, save as disclosed in the Prospectus, the Group has no specific plans for major investments or acquisitions of major capital assets or other businesses.

Risk factors and risk management

We are exposed to various types of financial risk in the ordinary course of business, including market risk (consisting of currency risk and interest rate risk), credit risk and liquidity risk.

1. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risks are primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged deposits and bills receivable is limited because the counterparties are banks, for which the Group considers to have low credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Our exposure to credit risks is influenced mainly by the individual characteristics of each customer or debtor rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers or debtors. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are mostly due from the date of revenue recognition. Normally, we do not obtain collateral from customers.

In respect of trade receivables, we measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses ("ECLs"), which is calculated using a provision matrix and individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. For the provision matrix method, as our historical credit loss experience do not indicate significantly different loss patterns for different customer segments, the loss allowance based on ageing information which is analyzed based on the date of revenue recognition is not further distinguished between our different customer bases.

2. Liquidity Risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

3. *Interest Rate Risk*

The Group's interest-bearing financial instruments at variable rates are the cash at bank as at each of the years ended 2021 and 2022. The cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates are bank loans and lease liabilities as at December 31, 2022 that are measured at amortized cost, and the change of market interest rate does not materially expose the Group to fair value interest risk. Overall speaking, the Group's exposure to interest rate risk is not significant.

4. *Currency Risk*

The Group is exposed to currency risk primarily through sales and borrowings which give rise to receivables, cash balances and bank loans that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars.

OTHER INFORMATION

Major Customers and Suppliers

For the year ended December 31, 2022, the Group's largest customer and five largest customers accounted for approximately 6.1% and 25.5% respectively of the Group's total revenue, and the Group's largest supplier and five largest suppliers accounted for approximately 46.0% and 84.0% respectively of the Group's total purchases. None of the Directors, their associates or any shareholders of the Company owning more than 5% of the Company's share capital has any interest in any of the Group's five largest customers or suppliers other than Buyang Group Co., Ltd. that the Directors are aware of.

Human Resources and Remuneration Policies

The number of employees of the Group was 547 as at December 31, 2022 (December 31, 2021: 552). The total staff costs for the Reporting Period was approximately RMB47.4 million as compared to approximately RMB52.4 million in 2021. We did not incur equity settled share-based expenses during the Reporting Period.

To promote employees' knowledge and technical expertise, the Group offers training programmes to employees from time to time according to their job duties. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. In addition to basic remuneration, the Group also makes contributions to mandatory social security funds for the benefit of the PRC employees that provide for retirement insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds.

Use of Net Proceeds From Global Offering

The Company's shares were listed on the Main Board of the Stock Exchange on December 15, 2022. The Company received net proceeds (after deduction of Listing expenses) from the Global Offering of approximately HK\$75.1 million. Since the Listing Date and up to December 31, 2022, the Company had not utilized the net proceeds from the Global Offering as there had been minimal timespan. The Company intends to apply such net proceeds according to the manner, proportions and timeline as disclosed in the Prospectus.

| Planned use of net proceeds as stated in the Prospectus | Net Proceeds | | | | Expected timeline of utilisation |
|-----------------------------------------------------------------------------------------|------------------------------|-------------------------------------|---------------------------------------------|-----------------------------------------------|----------------------------------|
| | Percentage of Net proceeds % | from the Global Offering HK'million | Utilised up to December 31, 2022 HK'million | Unutilised as at December 31, 2022 HK'million | |
| Expansion of our production capacity | 57.0 | 42.8 | — | 42.8 | On or before November 2024 |
| Construction of a new manufacturing facility, warehouse and other supporting facilities | 36.2 | 27.2 | — | 27.2 | On or before November 2024 |
| Design, development and testing of our new molds and prototypes | 6.8 | 5.1 | — | 5.1 | On or before December 2024 |
| | <u>100.0</u> | <u>75.1</u> | <u>—</u> | <u>75.1</u> | |

The unutilised net proceeds are placed in licensed banks in PRC and Hong Kong as of the date of this announcement.

Final Dividend

The Board does not recommend the payment of a final dividend in 2022 (2021: nil).

Closure of Register of Members/Record Date

The register of members of the Company will be closed from Thursday, May 25, 2023 to Wednesday, May 31, 2023 both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Wednesday, May 24, 2023.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. The CG Code was not applicable to the Company prior to the Listing Date. Since the Listing Date and up to the date of this announcement, the Company has complied with all applicable code provisions under Part 2 of the CG Code and adopted most of the best practices set out therein.

Model Code For Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions since the Listing Date. Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date and up to the date of this announcement.

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

During the period from the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, since the Listing Date and up to the date of this announcement, not less than 25% of the issued share capital of the Company is held by members of the public, which is in compliance with the requirements of the Stock Exchange and the Listing Rules.

Events After The Reporting Period

As at the date of this announcement, the Group did not have any significant event subsequent to December 31, 2022.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Fu Yi, Mr. Yeung Man Simon and Mr. Chen Jingeng (with Mr. Yeung Man Simon possessing the appropriate professional qualifications and accounting expertise). Mr. Yeung Man Simon is the chairman of the Audit Committee.

The Audit Committee has jointly reviewed with the Board the accounting principles and practices adopted by the Group, and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed and discussed the Annual Results and the audited financial statements for the year ended December 31, 2022 prepared in accordance with Hong Kong Financial Reporting Standards.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at bywheel.com. The 2022 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

DEFINITIONS

| | |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Annual General Meeting” or “AGM” | the 2022 Annual General Meeting of the Company to be held on Wednesday, May 31, 2023 |
| “Board” | the board of Directors |
| “Buyang Wheel” | Zhejiang Buyang Auto Wheel Co., Ltd. (浙江步陽汽輪有限公司), a company incorporated in the PRC with limited liability on September 3, 2007, which is an indirect wholly-owned subsidiary of our Company |
| “Company”, “our Company” or “the Company” | Buyang International Holding Inc (步陽國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on November 14, 2018 |
| “Controlling Shareholders” | has the meaning ascribed to it under the Listing Rules |
| “CG Code” | the corporate governance code as set out in Part 2 of Appendix 14 to the Listing Rules |
| “Director(s)” | the director(s) of our Company |
| “Global Offering” | as defined in the Prospectus |
| “Group”, “our Group”, “we” or “us” | our Company together with its subsidiaries and, in respect of the period before our Company became the holding company of our present subsidiaries, refers to the companies that are the present subsidiaries of the Company |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the People’s Republic of China |

| | |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| “Hong Kong dollar(s)”, “HKD” or “HK\$” | the lawful currency of Hong Kong |
| “Listing” | the listing of our Shares on the Main Board of the Stock Exchange |
| “Listing Date” | December 15, 2022, the date on which dealings in our Shares on the Main Board of the Stock Exchange first commence |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules |
| “PRC” | the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan |
| “Prospectus” | prospectus of the Company dated November 29, 2022 |
| “Renminbi” or “RMB” | the lawful currency of the PRC |
| “Reporting Period” | financial year ended December 31, 2022 |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) in the capital of our Company with par value of US\$0.001 each |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

“U.S, dollar(s)”, “US\$” or “USD” the lawful currency of the United States

% percent

By order of the Board
Buyang International Holding Inc
Xu Buyun
Chairman

Hong Kong, March 31, 2023

As at the date of this announcement, the Board comprises Ms. Xu Jingjun, Mr. Ying Yonghui and Ms. Hu Huijuan as executive Directors; Mr. Xu Buyun and Mr. Zhu Ning as non-executive Directors; and Mr. Fu Yi, Mr. Yeung Man Simon and Mr. Chen Jingeng as independent non-executive Directors.