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

# Interim Report 2026

# Contents


| | |
|---|---|
| Company Introduction | 2 |
| Corporate Information | 3 |
| Definitions | 4 |
| Financial Summary | 6 |
| Management Discussion and Analysis | 7 |
| Corporate Governance and Other Information | 15 |
| Independent Review Report | 20 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 21 |
| Consolidated Statement of Financial Position | 23 |
| Consolidated Statement of Changes in Equity | 25 |
| Condensed Consolidated Cash Flow Statement | 26 |
| Notes to the Unaudited Interim Financial Report | 27 |


# Company Introduction

## OVERVIEW

Buyang International Holding Inc (the "**Company**", and together with its subsidiaries, the "**Group**", "**we**", "**us**" or "**our**") is 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 who dedicate to providing customers with high quality aluminum alloy automobile wheels for aftermarket sales, to meet modification, repair and maintenance needs of the end users. We manufacture and sell different types of aluminum alloy automobile wheels to our customers. Our products comprise of a wide variety of aluminum alloy automobile wheels. 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. Our products are used by a wide range of automobiles from subcompact and compact cars to full-size SUV and pickup truck. We maintain stable and long-term business with many customers in China and overseas countries and regions, providing high quality products that are widely appreciated by our customers.

Our manufacturing facility is located in Yongkang City, Jinhua City, Zhejiang Province, PRC, and is equipped with various production machines, including gravity casting machines, low pressure casting machines, CNC lathes, machining centers, pretreatment spray equipment, powder spray machines and liquid spray machines, creating a complete production line with strong production capacity of approximately million units of aluminum alloy automobile wheel per year.

## BOARD OF DIRECTORS

### Executive Directors

Ms. Xu Jingjun *(Deputy chairlady)*
Mr. Ying Yonghui *(Chief executive officer)*
Ms. Hu Huijuan

### Non-executive Directors

Mr. Xu Buyun *(Chairman)*
Mr. Zhu Ning

### Independent non-executive Directors

Mr. Yeung Man Simon
Mr. Chen Jingeng
Mr. Ren Guodong

## AUDIT COMMITTEE

Mr. Yeung Man Simon *(Chairman)*
Mr. Chen Jingeng
Mr. Ren Guodong

## REMUNERATION COMMITTEE

Mr. Chen Jingeng *(Chairman)*
Ms. Xu Jingjun
Mr. Ren Guodong

## NOMINATION COMMITTEE

Mr. Xu Buyun *(Chairman)*
Ms. Xu Jingjun
Mr. Yeung Man Simon
Mr. Chen Jingeng
Mr. Ren Guodong

## COMPANY SECRETARY

Ms. Xu Yuelian

## AUTHORIZED REPRESENTATIVES

Ms. Xu Jingjun
Ms. Xu Yuelian

## AUDITOR

KPMG
Certified Public Accountants
*Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance*
8th Floor, Prince's Building
10 Chater Road Central
Hong Kong

## HONG KONG LEGAL ADVISOR

JINGTIAN & GONGCHENG LLP
Suites 3203–3207, 32nd Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

8 Buyang Road
Xicheng Jiedao
Yongkang City
Zhejiang Province, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICER

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111, Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

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

## PRINCIPAL BANK

Bank of China Limited, Yongkang Branch

## STOCK CODE

02457

## COMPANY'S WEBSITE

bywheel.com

## LISTING DATE

15 December 2022

# Definitions

| | |
|---|---|
| "Board" | the board of Directors |
| "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 14 November 2018 |
| "Controlling Shareholder(s)" | has the meaning ascribed to it under the Listing Rules |
| "Corporate Governance Code" or "CG Code" | the corporate governance code as set out in Part 2 of Appendix C1 to the Listing Rules, as amended or supplemented from time to time |
| "Director(s)" | the director(s) of our Company |
| "First Oriental" | First Oriental Limited, one of the Controlling Shareholders and is wholly owned by TopSun |
| "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 PRC |
| "Hong Kong dollar(s)", "HKD" or "HK$" | the lawful currency of Hong Kong |
| "Listing" | the listing of the Shares on the Main Board of the Stock Exchange |
| "Listing Date" | 15 December 2022, the date on which dealings in the 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 C3 of the Listing Rules |
| "PRC" | the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan |
| "Prospectus" | prospectus of the Company dated 29 November 2022 |
| "Renminbi" or "RMB" | the lawful currency of the PRC |
| "Report" | the Company's interim report for the Reporting Period |
| "Reporting Period" | the period from 1 January 2026 to 30 June 2026 |
| "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 |
| "TopSun" | TopSun Investment Holding Company Limited, one of the Controlling Shareholders and is owned as to 70% by Mr. Xu Buyun and 30% by Ms. Chen Jiangyue |
| "%" | percent |

# Financial Summary

## RESULTS

| | Six months ended 30 June 2026 (In RMB'000) Unaudited | 2025 Unaudited | Changes |
|---|---|---|---|
| Revenue | **197,101** | 172,725 | **14.1%** |
| Gross Profit | **17,804** | 21,221 | **(16.1)%** |
| (Loss)/profit before taxation | **(2,878)** | 6,701 | **(142.9)%** |
| Income tax credit/(expense) | **1,910** | (754) | **353.3%** |
| (Loss)/profit for the period | **(968)** | 5,947 | **(116.3)%** |
| Total comprehensive income for the period | **(1,567)** | 5,681 | **(127.6)%** |
| **(Loss)/earnings per share** | | | |
| — Basic and diluted *(RMB)* | **(0.001)** | 0.006 | **(116.7)%** |

## ASSETS, LIABILITIES AND EQUITY

| | At 30 June 2026 (In RMB'000) Unaudited | At 31 December 2025 | Changes |
|---|---|---|---|
| **Assets** | | | |
| Total assets | **509,232** | 506,827 | **0.5%** |
| **Equity and liabilities** | | | |
| Total equity | **409,538** | 411,105 | **(0.4)%** |
| Total liabilities | **99,694** | 95,722 | **4.1%** |
| Total equity and liabilities | **509,232** | 506,827 | **0.5%** |

## BUSINESS REVIEW

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.

We are pleased to announce that for the six months ended 30 June 2026, we have achieved solid results and further expanded our overall competitive advantages.

For the six months ended 30 June 2026, we generated approximately RMB39.4 million, RMB130.0 million and RMB19.5 million of our total revenue from the sale of small, medium and large aluminum alloy automobile wheels, respectively, and sold over 504.3 thousand aluminum alloy automobile wheels to the customers.

For the six months ended 30 June 2026, we generated 95.85% of our total revenue from the sales of aluminum alloy automobile wheels, approximately 29.75% and 70.25% of our total revenue from the sales of aluminum alloy automobile wheels were to the domestic and overseas markets, respectively, and we sold over 504.3 thousand aluminum alloy automobile wheels to customers, of which approximately 330.9 thousand were sold to the overseas markets.

During the six months ended 30 June 2026, our revenue increased from approximately RMB172.7 million during the corresponding period in 2025 to approximately RMB197.1 million, our profit for the period decreased from a profit of RMB5.9 million in the same period of 2025 to a loss of RMB1.0 million for the six months ended 30 June 2026.

Throughout the first half of 2026, we remained dedicated to the ongoing development and research of new products. As a result, we successfully developed a total of 166 new products during the Reporting Period.

## BUSINESS MODEL

We are primarily engaged in the research and development, 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.

Our top five customers in terms of revenue during the Reporting Period were wholesale traders and after-sales retailers in the aftermarket. During the Reporting Period, we made consistent effort to expand our sales in overseas market.

Our customers are mainly aluminum alloy automobile wheel wholesale traders and retailers in the aftermarket. We had 83 customers located in the PRC and had 79 customers located in overseas countries and territories for the six months ended 30 June 2026.

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 | 21–26 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, for the six months ended 30 June 2026 and 2025:

| | The six months ended 30 June | | | |
|---|---|---|---|---|
| | **2026** | | 2025 | |
| | **RMB'000** | **%** | RMB'000 | % |
| Small | **39,442** | **20.88%** | 35,612 | 21.29% |
| Medium | **129,971** | **68.80%** | 118,416 | 70.78% |
| Large | **19,506** | **10.32%** | 13,265 | 7.93% |
| Total sales of aluminum alloy automobile wheel | **188,919** | **100.00%** | 167,293 | 100.00% |

## PROSPECTS

In the second half of 2026, our focus will persist on expanding into new markets and acquiring new customers, while also maintaining proactive communication with our existing customers. With a strong sense of confidence in our management, we are optimistic about the future growth prospects of our business.

Notwithstanding the uncertainties in the industry and the overall competitive business environment, the Group will continue to be committed to implementing the business strategies.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 14.1% from approximately RMB172.7 million for the six months ended 30 June 2025 to approximately RMB197.1 million for the six months ended 30 June 2026, mainly due to the increased sales in the US market.

#### *Sales volume of aluminum alloy automobile wheel*

Our total revenue from the sale of aluminum alloy automobile wheels increased by approximately 12.9% from approximately RMB167.3 million for the six months ended 30 June 2025 to approximately RMB188.9 million for the six months ended 30 June 2026, mainly due to an increase in sales orders received by the Group as a result of the recovery in the US market.

#### *Sales of other products*

Our total revenue from the sale of other products for the six months ended 30 June 2026 was approximately RMB8.2 million, compared to approximately RMB5.4 million for the six months ended 30 June 2025, mainly due to a combination of increased sales volume of scraps and the rise in the unit selling price.

***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 approximately 67.34% of total revenue. Revenue from sales in overseas markets increased by approximately 17.97% from approximately RMB112.5 million for the six months ended 30 June 2025 to approximately RMB132.7 million for the six months ended 30 June 2026. Our revenue from Asia decreased by approximately 4.4% from approximately RMB91.3 million for the six months ended 30 June 2025 to approximately RMB87.3 million for the six months ended 30 June 2026. Our revenue from America increased by approximately 72.4% from approximately RMB43.7 million for the six months ended 30 June 2025 to approximately RMB75.3 million for the six months ended 30 June 2026. Our revenue from Europe decreased by approximately 5.7% from approximately RMB28.8 million for the six months ended 30 June 2025 to approximately RMB27.2 million for the six months ended 30 June 2026. Our revenue from Africa decreased by approximately 26.0% from approximately RMB5.7 million for the six months ended 30 June 2025 to approximately RMB4.2 million for the six months ended 30 June 2026. Our revenue from Oceania decreased by approximately 4.7% from approximately RMB3.2 million for the six months ended 30 June 2025 to approximately RMB3.1 million for the six months ended 30 June 2026.

## Cost of Sales

Our cost of sales increased by approximately 18.3% from approximately RMB151.5 million for the six months ended 30 June 2025 to approximately RMB179.3 million for the six months ended 30 June 2026, which is in line with the increase in revenue.

## Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 16.1% from approximately RMB21.2 million for the six months ended 30 June 2025 to approximately RMB17.8 million for the six months ended 30 June 2026, primarily due to the increase in costs.

Our gross profit margin was approximately 9.0% for the six months ended 30 June 2026, representing a decrease as compared to gross profit margin of approximately 12.29% for the six months ended 30 June 2025, mainly because of the increase in raw material prices.

## Other Revenue

Our other revenue mainly consisted of government grants and rentals receivable from operating leases, other than those relating to investment property. Such government grants included financial subsidies related to various aspects of our operations, which were granted by local government authorities in the PRC.

Our other revenue decreased by approximately 23.9% from approximately RMB0.7 million for the six months ended 30 June 2025 to approximately RMB0.5 million for the six months ended 30 June 2026.

## Other Net (Loss)/Gain

We had other net loss of approximately RMB3.1 million for the six months ended 30 June 2026, as compared to other net gain of approximately RMB0.2 million for the same period in 2025. Our other net loss primarily included net exchange loss, which were primarily attributable to translation of our trade and other receivables and cash at bank denominated in U.S. dollar into RMB. The fluctuation was align with the exchange rate and our overseas business scale.

## Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable, increasing slightly by approximately 2.0% from RMB4.6 million for the six months ended 30 June 2025 to approximately RMB4.7 million for the six months ended 30 June 2026.

### Administrative and Other Operating Expenses

Our administrative and other operating expenses remained relatively stable, increasing by approximately 0.3% from approximately RMB5.6 million for the six months ended 30 June 2025 to approximately RMB5.7 million for the six months ended 30 June 2026.

### Research and Development Costs

We recorded research and development costs increased by approximately 31.3% from approximately RMB6.9 million for the six months ended 30 June 2025 to approximately RMB9.0 million for the six months ended 30 June 2026, mainly due to the Company's increased investment in research and development of new products.

### Net Finance Income

The Group's net finance income remained relatively stable, decreasing by approximately 1.7% from approximately RMB1.9 million for the six months ended 30 June 2025 to approximately RMB1.8 million for the six months ended 30 June 2026.

### (Loss)/Profit Before Taxation

As a result of the foregoing, our loss before taxation for the six months ended 30 June 2026 amounted to approximately RMB2.9 million, representing a decrease of approximately 142.9% as compared to the profit before taxation of approximately RMB6.7 million for the same period in 2025.

### Income Tax Credit/(Expense)

Our income tax credit/(expense) decreased by approximately 353.3% from approximately RMB0.8 million (income tax expense) for the six months ended 30 June 2025 to approximately RMB1.9 million (income tax credit) for the six months ended 30 June 2026, primarily in line with the change in profit/loss before taxation, and affected by the additional deduction for research and development costs.

### (Loss)/Profit for the Period

For the six months ended 30 June 2026, our loss for the period amounted to approximately RMB1.0 million, representing a decrease of approximately 116.3% as compared to the profit of approximately RMB5.9 million for the six months ended 30 June 2025. Our net profit margin for the period turned negative, decreasing from approximately 3.44% for the six months ended 30 June 2025 to approximately (0.5)% for the six months ended 30 June 2026.

## LIQUIDITY AND FINANCIAL RESOURCES

### Financial Position

Our total assets increased by approximately 0.5% from approximately RMB506.8 million as of 31 December 2025 to approximately RMB509.2 million as of 30 June 2026. Total liabilities increased by approximately 4.1% from approximately RMB95.7 million as of 31 December 2025 to approximately RMB99.7 million as of 30 June 2026.

As at 30 June 2026, current assets amounted to approximately RMB425.3 million, representing a decrease of approximately 0.5% from approximately RMB427.6 million as at 31 December 2025, which remained relatively stable. Of which, inventories were approximately RMB110.5 million (31 December 2025: approximately RMB94.0 million); trade and other receivables were approximately RMB90.3 million (31 December 2025: approximately RMB72.0 million); pledged deposits were approximately RMB24.9 million (31 December 2025: approximately RMB17.9 million); a loan provided to a related party (current portion) was nil (31 December 2025: approximately RMB14.6 million); financial assets measured at fair value through other comprehensive income were approximately RMB60.2 million (31 December 2025: approximately nil); cash and cash equivalents were approximately RMB89.3 million (31 December 2025: approximately RMB106.0 million); the income tax recoverable was nil (31 December 2025: approximately RMB2.1 million) and time deposits were approximately RMB50.1 million (31 December 2025: approximately RMB121.0 million).

As at 30 June 2026, current liabilities amounted to approximately RMB90.6 million (31 December 2025: approximately RMB85.8 million); trade and other payables amounted to approximately RMB85.4 million (31 December 2025: approximately RMB80.0 million); contract liabilities amounted to approximately RMB4.7 million (31 December 2025: approximately RMB5.2 million); lease liabilities of approximately RMB0.5 million (31 December 2025: approximately RMB0.5 million). Non-current liabilities amounted to approximately RMB9.1 million (31 December 2025: approximately RMB9.9 million).

### Inventories

As at 30 June 2026, our inventories amounted to approximately RMB110.5 million, representing an increase of approximately 17.5% from approximately RMB94.0 million as of 31 December 2025, mainly due to the production and procurement of inventory for sales orders obtained.

### Trade and other receivables

Our trade and other receivables was approximately RMB90.3 million as at 30 June 2026 as compared to approximately RMB72.0 million as of 31 December 2025, mainly due to an increase in overall income during the Reporting Period.

### Cash and Cash Equivalents

The Group continued to maintain a strong financial position. As of 30 June 2026, our cash and cash equivalents amounted to approximately RMB89.3 million, representing a decrease of approximately 15.8% from approximately RMB106.1 million as of 31 December 2025, mainly due to an increase in raw material purchases.

### 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.

### Trade and other payables

Our trade and other payables increased by approximately 6.7% from approximately RMB80.0 million as of 31 December 2025 to approximately RMB85.4 million as of 30 June 2026, mainly due to an increase in inventory purchases.

### Borrowings

As of 30 June 2026, the bank loans of the Group was nil (31 December 2025: nil).

### Gearing Ratio

The Group's gearing ratio (which equals total debt (including bank loans and lease liabilities) divided by total equity) decreased from 1.5% as of 31 December 2025 to 1.3% as of 30 June 2026.

### Capital Structure

As at the date of this Report, 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 30 June 2026, our net current assets amounted to approximately RMB334.7 million (31 December 2025: approximately RMB341.8 million). Our current assets principally consist of inventories, trade and other receivables, financial assets measured at fair value through other comprehensive income, time deposits, cash and cash equivalents and pledged deposits. Our current liabilities principally consist of trade and other payables, contract liabilities and lease liabilities.

### Capital Expenditures

As at 30 June 2026, we incurred and settled capital expenditure, mainly comprising expenditure on property, plant and equipment and intangible assets, of approximately RMB9.9 million (six months ended 30 June 2025: approximately RMB13.5 million), mainly for the construction in progress of the Group.

### Capital Commitments

As of 30 June 2026, our capital commitments for purchase of property, plant and equipment amounted to approximately RMB4.5 million (31 December 2025: approximately RMB2.7 million).

### Pledge of Assets

As of 30 June 2026, we had collateral deposits of RMB24.9 million (31 December 2025: approximately RMB17.9 million), which mainly consist of deposits for the issuance of bank acceptance notes. The pledged deposits will be released upon settlement of the relevant bank acceptance notes by the Group.

### Contingent Liabilities

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

### Significant Investments Held

As at 30 June 2026, the Group's financial assets measured at fair value through other comprehensive income mainly include certificates of deposit subscribed by Zhejiang Buyang Auto Wheel Co., Ltd.* (浙江步陽汽輪有限公司) (an indirect wholly-owned subsidiary of the Company) from Huaxia Bank Co., Ltd.* (華夏銀行股份有限公司) ("**Huaxia Bank**"). As at 30 June 2026, the total financial assets measured at fair value through other comprehensive income held by the Group amounted to approximately RMB60.2 million (31 December 2025: nil), representing approximately 11.8% of the total assets of the Group. For details, please refer to the announcement of the Company dated 22 September 2026 and Note 12 to the "Notes to the Unaudited Interim Financial Report" section in this interim report.

The following table sets out the certificates of deposit subscribed by the Group as at 30 June 2026:

| **Issuer** | **Product category** | **Principal activities** | **Investment cost/ nominal value** (RMB'000) | **Fair value as at 30 June 2026** (RMB'000) | **Percentage of total assets of the Company as at 30 June 2026** |
|---|---|---|---|---|---|
| Huaxia Bank | Negotiable certificates of deposit | Banking services | 30,000 | 30,129 | 5.92% |
| Huaxia Bank | Negotiable certificates of deposit | Banking services | 30,000 | 30,094 | 5.91% |

The Group has adopted an investment strategy to manage and enhance the returns on its cash reserves. The strategy is being implemented while the Group continues to assess and evaluate potential investment opportunities.

Save as disclosed above, 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 of 30 June 2026).

### 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 paragraph headed "Use of Net Proceeds from Global Offering" below, 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, time deposits, pledged deposits and bills receivable is limited because the counterparties are banks, for which the Group considers its credit risk to be low. In respect of other receivables and loans provided to related parties, the Group has assessed that the expected credit loss rate for these receivables is immaterial and no loss allowance provision for these receivables was recognised during the Reporting Period. 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 does 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 the relevant period. 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 time deposits, pledged deposits and lease liabilities as at 30 June 2026 that is 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 which give rise to receivables and cash balances 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. During the six months ended 30 June 2026, the Group did not use any derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business. The Group manages its foreign currency risk by closely monitoring the fluctuation of foreign currency rates.

## FUTURE PROSPECTS

In 2026, our focus will persist on expanding into new markets and acquiring new customers, while also maintaining proactive communication with our existing customers. With a strong sense of confidence in our management, we are optimistic about the future growth prospects of our business. Notwithstanding the uncertainties in the industry and the overall competitive business environment, the Group will continue to be committed to implementing the business strategies.

## HUMAN RESOURCES AND REMUNERATION POLICY

The number of employees of the Group was 517 as of 30 June 2026 (487 as of 30 June 2025). The total staff costs for the Reporting Period was approximately RMB27.8 million as compared to RMB24.7 million for the six months ended 30 June 2025. We did not incur equity settled share-based expenses during the Reporting Period.

To promote employees' knowledge and technical expertise, the Group offers training programs 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.

## DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2026, the interests of each Director in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which were taken or deemed to have under such provisions of the SFO), (ii) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules are as follows:

### (i) Interests in the Company

| Director | Nature of interest | Number of shares[1] | Approximate percentage of shareholding |
|---|---|---|---|
| Mr. Xu Buyun | Interest in controlled corporation[2] | 750,000,000 (L) | 75% |

Notes:

(1) (L) means long position.

(2) These 750,000,000 shares are held by First Oriental, which is indirectly owned as to 70.0% by Mr. Xu Buyun. Accordingly, under the SFO, Mr. Xu Buyun is deemed to be interested in all the shares held by First Oriental.

### (ii) Interests in Associated Corporations

| Director | Name of associated corporation/ subsidiary company | Nature of interest | Number of shares in/ registered capital of the associated corporation[1] | Approximate percentage of shareholding |
|---|---|---|---|---|
| Mr. Xu Buyun | First Oriental[2] | Interest in controlled corporation | 50,000 shares (L) | 100% |
| | TopSun[2] | Beneficial owner<br>Interest of spouse | 35,000 shares (L)<br>15,000 shares (L) | 100% |

Notes:

1. (L) means long position.

2. First Oriental is interested in 75% of the issued Shares and is wholly owned by TopSun and, accordingly, First Oriental and TopSun are the holding companies (as defined in the SFO) of the Company respectively.

3. 15,000 shares of TopSun are held by Ms. Chen Jiangyue, the spouse of Mr. Xu Buyun. Accordingly, Mr. Xu Buyun is deemed to be interested in all the shares held by Ms. Chen Jiangyue under the SFO.

Save as disclosed above, as at the date of this Report, none of the Directors had, or was deemed to have, any interest or short position 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 were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2026, to the best knowledge of the Directors, the following persons (other than the Directors or the chief executive of the Company) have interests in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO or which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of shareholders | Nature of interest | Number of shares[(1)] | Approximate percentage of shareholding |
|---|---|---|---|
| Ms. Chen Jiangyue | Interest of spouse[(2)] | 750,000,000 (L) | 75% |
| TopSun[(3)] | Interest in controlled corporation[(3)(4)] | 750,000,000 (L) | 75% |
| First Oriental[(3)] | Beneficial owner[(3)(4)] | 750,000,000 (L) | 75% |

Notes:

1. (L) means long position.

2. Ms. Chen Jiangyue is the spouse of Mr. Xu Buyun. Accordingly, Ms. Chen Jiangyue is deemed to be interested in all the shares in which Mr. Xu Buyun is interested under the SFO.

3. The entire equity interest of First Oriental is held by TopSun, which is in turn owned as to 70% by Mr. Xu Buyun and 30% by Ms. Chen Jiangyue respectively. Accordingly, Mr. Xu Buyun and TopSun are deemed to be interested in all the shares held by First Oriental under the SFO.

4. Mr. Xu Buyun, the chairman and non-executive Director, is a director of TopSun and First Oriental.

Save as disclosed above, as at the date of this Report, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## SHARE OPTION SCHEME

The Share Option Scheme was adopted by a written resolution of the Shareholders passed on 18 November 2022. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

The Share Option Scheme is a share award scheme for the purpose of recognizing and rewarding Eligible Participants (as defined below) for the contributions they have made or may have made to the Group. The Share Option Scheme will provide an opportunity for Eligible Participants to have a personal interest in the Company for the purpose of (i) providing incentives for Eligible Participants to optimize their performance efficiency for the benefit of the Group; and (ii) attracting and retaining Eligible Participants or otherwise maintaining an ongoing business relationship with Eligible Participants whose contributions have been or will be beneficial to the long-term development of the Group.

The Board may, at its sole discretion, grant options to the following persons ("**Eligible Participants**"), for the number of New Shares to be determined by the Board: (i) any full-time or part-time employee, executive or officer of the Company or any of its subsidiaries; (ii) any Director (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries; (iii) any advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries; and (iv) other persons who, in the sole discretion of the Board, will contribute or have contributed to the Group, the assessment criteria are: (aa) contribution to the development and performance of the Group; (bb) quality of work performed for the Group; (cc) performance initiative and commitment to responsibilities; and (dd) length of service or contribution to the Group.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company (including shares in respect of which options have been granted, whether exercised or outstanding) shall not in aggregate exceed 10% of the total number of shares in issue at the time of the Company's listing, being 100,000,000 shares (the "**Scheme Limit**"), excluding for this purpose the maximum number of shares in respect of which options may be granted under the Share Option Scheme (or any other share option scheme of the Company) which has lapsed. The Share Option Scheme limit represents 10% of the total number of shares of the Company in issue as at the date of this Report.

The total number of shares in issue and issuable upon exercise of options granted to each eligible participant under the Share Option Scheme and any other share option scheme of the Company during any 12-month period up to the date of grant (including exercised and outstanding options and shares subject to options granted and accepted under the Share Option Scheme and any other share option scheme of the Company but subsequently cancelled) shall not exceed 1% of the shares in issue as at the date of grant.

Options may be exercised in accordance with the terms of the Share Option Scheme at any time after the date on which the options are deemed to have been granted and accepted and before the expiry of ten years from that date. The exercise period of the options will be determined by the Board at its sole discretion, but shall not exceed ten years from the date of grant of the options. Any option granted under the Share Option Scheme may be exercised by the grantee subject to the achievement of certain performance targets as may be specified by the Board for the time being. No share option may be granted more than ten years after the Listing Date. Unless terminated earlier by the Company in general meeting or by the Board, the Share Option Scheme shall be effective and valid for a period of ten years from the Listing Date. The remaining life of the Share Option Scheme is approximately six years.

The exercise price of the shares in respect of any particular share option granted under the Share Option Scheme will be determined at the sole discretion of the Board, provided that such price will not be lower than the highest of (i) the closing price of the shares as quoted on the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for trading in securities; (ii) the average closing price of the shares as quoted on the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

Acceptance of an offer to grant an option must take place within seven days from and including the date on which such offer is made. The options shall be deemed to have been granted and accepted by the grantee and become effective upon receipt by the Company on or before the relevant acceptance date of the documents constituting the acceptance of the options duly signed by the Grantee together with a remittance of HK$1.00 in favour of the Company as the consideration for the grant of the Options.

Details of the principal terms of the Share Option Scheme are set out in the section headed "Appendix IV — Statutory and General Information" of the Prospectus. No share options have been granted under the Share Option Scheme since its adoption and up to 30 June 2026. The total number of options available for grant under the scheme mandate of the Share Option Scheme at the beginning and the end of the Reporting Period was 100,000,000 options (i.e. 100,000,000 shares which may be issued under the Share Option Scheme).

## USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering of approximately HK$75.1 million (the "**Net Proceeds**"). As at 31 December 2025, the unutilized amount of the net proceeds was approximately HK$9.9 million.

Considering that the success of the Group is attributable to its products and the design, development and testing of the new molds and prototypes, the Board resolved to change the use of proceeds on 15 November 2024. For details, please refer to the announcement of the Company dated 15 November 2024 (the "**Reallocation Announcement**")

Set out below are details of the reallocation of the net proceeds, and the unutilized amount of the net proceeds up to 30 June 2026.

| Planned use of net proceeds as stated in the Prospectus | Percentage of total Net Proceeds % | Net Proceeds from the Global Offering HK$ million | Unutilized amount of reallocated Net Proceeds as at the date of the Reallocation Announcement HK$ million | Unutilized amount of reallocated Net Proceeds as at 1 January 2026 HK$ million | Utilized amount for the Reporting Period HK$ million | Balance of Net Proceeds unutilized at 30 June 2026 HK$ million | Expected timeline of utilization |
|---|---|---|---|---|---|---|---|
| Expansion of our production capacity | 57.0 | 42.8 | 19.6 | 8.4 | 7.2 | 1.2 | On or before September 2026 |
| Construction of a new manufacturing facility, warehouse and other supporting facilities | 36.2 | 27.2 | N/A | N/A | N/A | N/A | N/A |
| Design, development and testing of our new molds and prototypes | 6.8 | 5.1 | 14.2 | 1.5 | 1.5 | 0 | On or before September 2026 |
| General Working Capital | – | – | 13.0 | – | N/A | N/A | On or before September 2026 |
| Total | 100.0 | 75.1 | 46.8 | 9.9 | 8.7 | 1.2 | |

The unutilized Net Proceeds are placed in licensed banks in the PRC and Hong Kong as at the date of this interim report.

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2026.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high level of corporate governance in order to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as its own corporate governance code. The Board believes that good corporate governance could lead the Company to success and balance the interests of Shareholders, customers and employees, and the Board is therefore devoted to ongoing reviews and enhancements of the efficiency and effectiveness of compliance with such principles and practices.

From 1 January 2026 and up to the date of this interim report, the Company has complied with all applicable code provisions under Part 2 of the Corporate Governance Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. 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 from 1 January 2026 and up to the date of this interim report.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OR SALE OF TREASURY SHARES

From 1 January 2026 and up to the date of this interim report, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities or sold any treasury shares. As at 30 June 2026, the Company did not hold any treasury shares.

## CHANGES TO DIRECTORS' INFORMATION

From 1 January 2026 and up to the date of this interim report, there is no change to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## EVENT AFTER THE REPORTING PERIOD

As at the date of this interim report, the Group has no important events which occurred after the end of the Reporting Period that are required to be disclosed.

## AUDIT COMMITTEE

The Board has established the Audit Committee, which comprises three independent non-executive Directors, namely, Mr. Yeung Man Simon (Chairman), Mr. Chen Jingeng and Mr. Ren Guodong. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including a review of the interim financial information for the six months ended 30 June 2026. The Audit Committee has also reviewed this interim report.

## INDEPENDENT REVIEW OF AUDITOR

The interim financial report for the six months ended 30 June 2026 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements No. 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be published.

# Independent Review Report

**Review report to the board of directors of Buyang International Holding Inc**
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 38, which comprises the consolidated statement of financial position of Buyang International Holding Inc as of 30 June 2026 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* as issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2026 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

**KPMG**
*Certified Public Accountants*

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 August 2026

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*for the six months ended 30 June 2026 — unaudited*

*(Expressed in RMB)*

| | Note | Six months ended 30 June 2026 RMB'000 | 2025 RMB'000 |
|---|---|---|---|
| **Revenue** | 3 | **197,101** | 172,725 |
| Cost of sales | | **(179,297)** | (151,504) |
| **Gross profit** | | **17,804** | 21,221 |
| Other revenue | 4(a) | **496** | 652 |
| Other net (loss)/gain | 4(b) | **(3,091)** | 238 |
| Selling and distribution expenses | | **(4,655)** | (4,562) |
| Administrative and other operating expenses | | **(5,663)** | (5,646) |
| Research and development costs | | **(8,994)** | (6,850) |
| Impairment loss on trade receivables | | **(606)** | (214) |
| **(Loss)/Profit from operations** | | **(4,709)** | 4,839 |
| Finance income | | **1,991** | 2,037 |
| Finance costs | | **(160)** | (175) |
| **Net finance income** | 5(a) | **1,831** | 1,862 |
| **(Loss)/Profit before taxation** | 5 | **(2,878)** | 6,701 |
| Income tax credit/(expenses) | 6 | **1,910** | (754) |
| **(Loss)/Profit for the period** | | **(968)** | 5,947 |

*(Expressed in RMB)*

| | Note | Six months ended 30 June 2026 RMB'000 | 2025 RMB'000 |
|---|---|---|---|
| **(Loss)/Profit for the period** | | **(968)** | 5,947 |
| **Other comprehensive income for the period (after tax and reclassification adjustments)** | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Exchange difference on translation of financial statements of the Company | | **(3,706)** | (1,528) |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange difference on translation of financial statements of the Company's subsidiaries outside Chinese mainland | | **3,107** | 1,262 |
| **Other comprehensive income for the period** | | **(599)** | (266) |
| **Total comprehensive income for the period** | | **(1,567)** | 5,681 |
| **(Loss)/Earnings per share** | 7 | | |
| Basic and diluted (RMB) | | **(0.001)** | 0.006 |

The notes on pages 27 to 38 form part of this interim financial report.

# Consolidated Statement of Financial Position

*at 30 June 2026 — unaudited*

*(Expressed in RMB)*

| | Note | **30 June 2026 RMB'000** | 31 December 2025 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | **62,404** | 62,713 |
| Right-of-use assets | | **14,121** | 14,484 |
| Deferred tax assets | | **4,104** | 1,322 |
| Prepayments | | **3,270** | 698 |
| | | **83,899** | 79,217 |
| **Current assets** | | | |
| Inventories | 9 | **110,507** | 94,041 |
| Trade and other receivables | 10 | **90,326** | 72,008 |
| A loan provided to a related party | 11 | **—** | 14,596 |
| Income tax recoverable | | **—** | 2,062 |
| Financial assets measured at fair value through other comprehensive income ("**FVOCI**") | 12 | **60,223** | — |
| Time deposits | 13(a) | **50,123** | 120,968 |
| Pledged deposits | 13(b) | **24,851** | 17,877 |
| Cash and cash equivalents | 13(c) | **89,303** | 106,058 |
| | | **425,333** | 427,610 |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **85,378** | 80,046 |
| Contract liabilities | | **4,668** | 5,211 |
| Lease liabilities | | **548** | 532 |
| | | **90,594** | 85,789 |
| **Net current assets** | | **334,739** | 341,821 |
| **Total assets less current liabilities** | | **418,638** | 421,038 |

# Consolidated Statement of Financial Position

*at 30 June 2026 — unaudited (continued)*

*(Expressed in RMB)*

| | Note | 30 June 2026 RMB'000 | 31 December 2025 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities | | **4,903** | 5,616 |
| Deferred income | | **905** | 1,025 |
| Deferred tax liabilities | | **3,292** | 3,292 |
| | | **9,100** | 9,933 |
| **NET ASSETS** | | **409,538** | 411,105 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **6,952** | 6,952 |
| Reserves | | **402,586** | 404,153 |
| **TOTAL EQUITY** | | **409,538** | 411,105 |

Approved and authorised for issue by the board of directors on 28 August 2026.

Xu Buyun ) Directors
Xu Jingjun )

The notes on pages 27 to 38 form part of this interim financial report.

*(Expressed in RMB)*

| | Attributable to equity shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | The People's Republic of China (the "PRC") statutory reserve RMB'000 | Exchange reserve RMB'000 | Retained profits RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2025** | 6,952 | 198,080 | (45,000) | 32,374 | (4,628) | 212,677 | 400,455 |
| **Changes in equity for the six months ended 30 June 2025:** | | | | | | | |
| Profit for the period | – | – | – | – | – | 5,947 | 5,947 |
| Other comprehensive income for the period | – | – | – | – | (266) | – | (266) |
| Total comprehensive income | – | – | – | – | (266) | 5,947 | 5,681 |
| **Balance at 30 June 2025 and 1 July 2025** | 6,952 | 198,080 | (45,000) | 32,374 | (4,894) | 218,624 | 406,136 |
| **Changes in equity for the six months ended 31 December 2025:** | | | | | | | |
| Profit for the period | – | – | – | – | – | 5,117 | 5,117 |
| Other comprehensive income for the period | – | – | – | – | (148) | – | (148) |
| Total comprehensive income | – | – | – | – | (148) | 5,117 | 4,969 |
| Appropriation of statutory reserve | – | – | – | 1,357 | – | (1,357) | – |
| **Balance at 31 December 2025** | 6,952 | 198,080 | (45,000) | 33,731 | (5,042) | 222,384 | 411,105 |
| **Balance at 1 January 2026** | **6,952** | **198,080** | **(45,000)** | **33,731** | **(5,042)** | **222,384** | **411,105** |
| **Changes in equity for the six months ended 30 June 2026:** | | | | | | | |
| Loss for the period | **–** | **–** | **–** | **–** | **–** | **(968)** | **(968)** |
| Other comprehensive income for the period | **–** | **–** | **–** | **–** | **(599)** | **–** | **(599)** |
| Total comprehensive income | **–** | **–** | **–** | **–** | **(599)** | **(968)** | **(1,567)** |
| **Balance at 30 June 2026** | **6,952** | **198,080** | **(45,000)** | **33,731** | **(5,641)** | **221,416** | **409,538** |

The notes on pages 27 to 38 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

*for the six months ended 30 June 2026 — unaudited*

*(Expressed in RMB)*

| | Note | Six months ended 30 June 2026 RMB'000 | 2025 RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash (used in)/generated from operations | | **(32,931)** | 10,125 |
| PRC corporate income tax paid | | **—** | (716) |
| PRC corporate income tax refunded | | **1,190** | — |
| **Net cash (used in)/generated from operating activities** | | **(31,741)** | 9,409 |
| **Investing activities** | | | |
| Payment for purchase of property, plant and equipment and intangible assets | | **(9,872)** | (13,486) |
| Proceeds from disposal of property, plant and equipment | | **34** | 388 |
| Payment for purchase of time deposits | | **(50,000)** | (60,000) |
| Proceeds from disposal of time deposits | | **120,968** | 40,030 |
| Payment for purchase of financial assets measured at FVOCI | | **(60,000)** | — |
| Repayments from a loan to a related party | | **14,314** | — |
| Interest received | | **1,228** | 1,874 |
| **Net cash generated from/(used in) investing activities** | | **16,672** | (31,194) |
| **Financing activities** | | | |
| Capital element of lease rentals paid | | **(697)** | (501) |
| Interest element of lease rentals paid | | **(160)** | (356) |
| **Net cash used in financing activities** | | **(857)** | (857) |
| **Net decrease in cash and cash equivalents** | | **(15,926)** | (22,642) |
| **Cash and cash equivalents at 1 January** | | **106,058** | 172,901 |
| **Effect of foreign exchange rate changes** | | **(829)** | 799 |
| **Cash and cash equivalents at 30 June** | 13(c) | **89,303** | 151,058 |

The notes on pages 27 to 38 form part of this interim financial report.

## 1 BASIS OF PREPARATION

Buyang International Holding Inc (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 Company and its subsidiaries (together referred to as the "**Group**") is principally engaged in the development, manufacturing and sales of a broad range of aluminium alloy wheels for automobiles.

The interim financial report of the Company as at and for the six months ended 30 June 2026 comprises the Company and its subsidiaries. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim Financial Reporting,* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 28 August 2026.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2025 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2026 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2025 annual financial statements. The condensed consolidated interim financial statements and the accompanying notes do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS Accounting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 20.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period. None of these developments have had a material effect on these financial statements. 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:

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | **RMB'000** | RMB'000 |
| Sales of aluminium alloy wheels | **188,919** | 167,293 |
| Sales of others | **8,182** | 5,432 |
| | **197,101** | 172,725 |

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 six months ended 30 June 2026 and 2025 are set out below:*

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | **RMB'000** | RMB'000 |
| Customer A | **22,439** | * |

* Transactions with this customer did not exceed 10% of the Group's revenue for the six months ended 30 June 2025.

### (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.

## 3 REVENUE AND SEGMENT REPORTING *(Continued)*

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

***Geographical information***

*(i) Revenue from external customers by continent of delivery*

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | **RMB'000** | RMB'000 |
| Asia | **87,308** | 91,313 |
| Europe | **27,172** | 28,806 |
| America | **75,343** | 43,707 |
| Africa | **4,191** | 5,661 |
| Oceania | **3,087** | 3,238 |
| | **197,101** | 172,725 |

*(ii) Non-current assets*

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 (LOSS)/GAIN

### (a) Other revenue

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | **RMB'000** | RMB'000 |
| Government grants | **221** | 368 |
| Rentals receivable from operating leases, other than those relating to investment property (Note 17(b)) | **275** | 275 |
| Others | **—** | 9 |
| | **496** | 652 |

### (b) Other net (loss)/gain

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | **RMB'000** | RMB'000 |
| Net loss on disposal of property, plant and equipment | **(3)** | (387) |
| Net foreign exchange (loss)/gain | **(3,088)** | 625 |
| | **(3,091)** | 238 |

## 5 (LOSS)/PROFIT BEFORE TAXATION

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

### (a) Net finance income

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | **RMB'000** | RMB'000 |
| Interest income on bank deposits | **(1,574)** | (1,599) |
| Interest income on a loan to a related party (Note 17(b)) | **(417)** | (438) |
| Interest expense on lease liabilities (Note 17(b)) | **160** | 175 |
| Net finance income | **(1,831)** | (1,862) |

### (b) Staff costs

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | **RMB'000** | RMB'000 |
| Salaries and other benefits | **25,574** | 23,117 |
| Contributions to defined contribution scheme (Note) | **2,204** | 1,564 |
| | **27,778** | 24,681 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | **RMB'000** | RMB'000 |
| Cost of inventories* (Note 9(b)) | **179,297** | 151,504 |
| Depreciation | | |
| — Property, plant and equipment | **6,364** | 6,152 |
| — Right-of-use assets | **363** | 363 |
| Amortisation of intangible assets | **—** | 7 |
| Impairment loss on trade receivables | **606** | 214 |
| Research and development costs* | **8,994** | 6,850 |

* Cost of inventories include RMB24,391,000 relating to staff costs and depreciation expenses for the six months ended 30 June 2026 (six months ended 30 June 2025: RMB22,964,000), 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.

Research and development costs include RMB3,671,000 relating to staff costs and depreciation expenses for the six months ended 30 June 2026 (six months ended 30 June 2025: RMB3,363,000), 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 (CREDIT)/EXPENSES

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

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | **RMB'000** | RMB'000 |
| **Current tax** | | |
| PRC corporate income tax | **–** | 53 |
| Under-provision in respect of prior years | **872** | – |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(2,782)** | 6 |
| Withholding tax on the profits of the Group's PRC subsidiaries | **–** | 695 |
| | **(1,910)** | 754 |

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 six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

(iii) The Group's PRC subsidiary is subject to PRC income tax at 25%. According to the relevant PRC income tax law, certain research and development costs of PRC subsidiaries are qualified for 100% additional deduction for tax purpose.

(iv) According to the Implementation Rules of the Corporate Income tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding company arising from profit earned subsequent to 1 January 2008. Buyang (Hong Kong) Limited, a subsidiary of the Company, is subject to PRC dividend withholding tax at 10% on dividends receivables from the PRC subsidiaries.

As at 30 June 2026, deferred tax liabilities of RMB3,292,000 were recognised in respect of the 10% PRC dividend withholding tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries (31 December 2025: RMB3,292,000).

## 7 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB968,000 (six months ended 30 June 2025: profit of RMB5,947,000) and the weighted average of 1,000,000,000 ordinary shares (six months ended 30 June 2025: 1,000,000,000 ordinary shares) in issue during the interim period.

There were no dilutive potential ordinary shares outstanding for the six months ended 30 June 2026 and 2025. Therefore, the diluted loss per share and diluted earnings per share are the same as their respective basic amounts for the corresponding periods.

## 8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2026, the Group acquired items of machinery equipment, moulds, electronic and other equipment with a cost of RMB6,088,000 (six months ended 30 June 2025: RMB5,594,000).

Items of machinery equipment, moulds, electronic and other equipment with a net book value of RMB33,000 were disposed of during the six months ended 30 June 2026 (six months ended 30 June 2025: RMB729,000), resulting in a net loss on disposal of RMB3,000 (six months ended 30 June 2025: RMB387,000).

## 9 INVENTORIES

### (a) Inventories in the consolidated statement of financial position comprise:

| | **30 June 2026 RMB'000** | 31 December 2025 RMB'000 |
|---|---|---|
| Raw materials | **19,960** | 16,409 |
| Work in progress | **22,106** | 17,604 |
| Finished goods | **67,631** | 59,243 |
| Others | **810** | 785 |
| | **110,507** | 94,041 |

### (b) The analysis of the amount of inventories recognised as expenses and included in profit or loss are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2026 RMB'000** | 2025 RMB'000 |
| Carrying amount of inventories sold | **178,562** | 151,198 |
| Write-down of inventories | **735** | 306 |
| | **179,297** | 151,504 |

## 10 TRADE AND OTHER RECEIVABLES

| | 30 June 2026 RMB'000 | 31 December 2025 RMB'000 |
|---|---|---|
| Trade receivables | | |
| — Third parties | **78,645** | 60,965 |
| Bills receivable | **5,941** | 5,738 |
| Less: Loss allowance for trade and bills receivable | **(1,246)** | (640) |
| Financial assets measured at amortised cost | **83,340** | 66,063 |
| Value-added tax recoverable and others | **1,614** | 1,241 |
| Prepayments | **5,372** | 4,704 |
| | **90,326** | 72,008 |

### 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:

| | 30 June 2026 RMB'000 | 31 December 2025 RMB'000 |
|---|---|---|
| Within 3 months | **76,021** | 61,320 |
| Over 3 months but within 6 months | **6,692** | 4,572 |
| Over 6 months but within 12 months | **627** | 171 |
| | **83,340** | 66,063 |

## 11 A LOAN PROVIDED TO A RELATED PARTY

On 8 May 2023, the Company lent a three-year loan to Topsun Investment Holding Company Limited ("**Topsun**") of HKD16,000,000 with an annual interest rate of 6%, guaranteed by controlling shareholder Mr. Xu Buyun.

As at 31 December 2025, the gross loan provided to Topsun Investment Holding Company Limited amounted to RMB14,596,000 including the principal of HKD16,000,000 (equivalent to approximately RMB14,451,000) and corresponding interests receivable of HKD160,000 (equivalent to approximately RMB145,000).

On 5 May 2026, Topsun fully repaid the outstanding principal and all accrued interest.

## 12 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | At 30 June 2026 RMB'000 | At 31 December 2025 RMB'000 |
|---|---|---|
| Negotiable certificates of deposit with bank | **60,223** | – |

The Group invested in certain negotiable certificates of deposit with bank in the PRC. The negotiable certificates of deposit were transferable and carried at fixed interest rates ranging from 1.30% to 1.40% per annum. The directors of the Group determine such negotiable certificates of deposit are mainly for the purpose of short-term fund management to collect contractual payments, which could also be sold in the secondary market within one year, depending on the cash needs. Therefore, these negotiable certifications of deposit are classified as current financial assets measured at FVOCI.

## 13 TIME DEPOSITS, PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

### (a) Time deposits

| | At 30 June 2026 RMB'000 | At 31 December 2025 RMB'000 |
|---|---|---|
| Time deposits held at the bank with maturity over three months but within one year | **50,123** | 120,968 |

As at 30 June 2026, the time deposits held at the bank with maturity over three months but within one year have an annual fixed interest rates ranging of 1.20%~1.30% (31 December 2025: 1.10%–1.80%).

### (b) Pledged deposits

| | 30 June 2026 RMB'000 | 31 December 2025 RMB'000 |
|---|---|---|
| Guarantee deposits for issuance of bank acceptance notes | **24,851** | 17,877 |

The pledged deposits will be released upon the settlement of the relevant bank acceptance notes by the Group.

### (c) Cash and cash equivalents

| | 30 June 2026 RMB'000 | 31 December 2025 RMB'000 |
|---|---|---|
| Bank deposits with maturity within three months | **5,019** | – |
| Cash at bank | **109,134** | 123,934 |
| Cash in hand | **1** | 1 |
| | **114,154** | 123,935 |
| Less: Pledged deposits | **(24,851)** | (17,877) |
| | **89,303** | 106,058 |

## 14 TRADE AND OTHER PAYABLES

| | Note | **30 June 2026 RMB'000** | 31 December 2025 RMB'000 |
|---|---|---|---|
| Trade payables | | | |
| — Third parties | | **30,607** | 34,644 |
| — Related parties | 17(c) | **6,118** | 1,078 |
| Bills payable | | **24,851** | 17,877 |
| | | **61,576** | 53,599 |
| Other payables and accruals | | **15,983** | 14,857 |
| Financial liabilities measured at amortised cost | | **77,559** | 68,456 |
| Accrued payroll and other benefits | | **7,360** | 11,191 |
| Other taxes and charges payable | | **459** | 399 |
| | | **85,378** | 80,046 |

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

| | **30 June 2026 RMB'000** | 31 December 2025 RMB'000 |
|---|---|---|
| Within 3 months | **45,776** | 37,169 |
| Over 3 months but within 6 months | **15,039** | 15,812 |
| Over 6 months but within 12 months | **397** | 112 |
| Over 12 months | **364** | 506 |
| | **61,576** | 53,599 |

## 15 DIVIDENDS

The directors of the Company has resolved not to declare any interim dividend in respect of the period for the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

## 16 COMMITMENTS

Capital commitments outstanding at 30 June 2026 not provided for in the interim financial report were as follows:

| | **30 June 2026 RMB'000** | 31 December 2025 RMB'000 |
|---|---|---|
| **Purchase of property, plant and equipment:** | | |
| Contracted for | **4,506** | 2,700 |

## 17 MATERIAL RELATED PARTY TRANSACTIONS

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

During the reporting period, transactions with the following parties are considered as related party transactions:

| **Name of related party** | **Relationship with the Group** |
|---|---|
| Mr. Xu Buyun 徐步雲先生 | Controlling shareholder of the Company |
| Mrs. Chen Jiangyue 陳江月女士 | Mr. Xu Buyun's close family member and controlling shareholder of the Company |
| Buyang Group Co., Ltd. and its subsidiaries ("**Buyang PRC**") 步陽集團有限公司及其子公司* | Corporate Controlled by Mr. Xu Buyun |
| Topsun Investment Holding Company Limited | Ultimate parent company of the Group |

* The English translation of the Company name is for reference only. The official names of these companies are in Chinese.

### (b) Particulars of significant transactions between the Group and related parties during the reporting period are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2026 RMB'000** | 2025 RMB'000 |
| Interest income from: | | |
| — Topsun Investment Holding Company Limited | **417** | 438 |
| Fuel expenses and utilities to: | | |
| — Buyang PRC | **4,892** | 4,712 |
| Rental income from: | | |
| — Buyang PRC | **275** | 275 |
| Interest expense on lease liabilities: | | |
| — Buyang PRC | **160** | 175 |

## 17 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

### (c) Significant related party balances

| | 30 June 2026 RMB'000 | 31 December 2025 RMB'000 |
|---|---|---|
| **A loan provided to a related party:** | | |
| Topsun Investment Holding Company Limited (Note11) | **–** | 14,596 |
| **Amounts due to:** | | |
| Buyang PRC | | |
| — Trade nature (Note14)* | **6,118** | 1,078 |
| **Lease liabilities due to:** | | |
| — Buyang PRC | **5,451** | 6,148 |

* Amounts due to related party are unsecured and interest-free.

## 18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2026

A number of amendments and new standards are not yet mandatory for annual periods beginning 1 January 2026. Earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The following updates the information provided in the last annual financial statements about the possible impacts of HKFRS 18 which may have a significant impact on the Group's consolidated financial statements when adopted.

### HKFRS 18, *Presentation and disclosure in financial statements*

HKFRS 18 will replace HKAS 1, *Presentation of financial statements*, and is first effective for annual reporting periods beginning on or after 1 January 2027.

HKFRS 18 introduces new requirements for presentation and disclosure in financial statements, including new categories and defined subtotals in the statement of profit or loss, enhanced requirements for aggregation and disaggregation of information, and specific disclosures about management-defined performance measures. The Group is assessing the expected impact that the initial application of HKFRS 18 will have on its consolidated financial statements.

The Group expects that the adoption of HKFRS 18 will not change the Group's net assets or net profit. However, it is expected to affect the presentation of the Group's consolidated statement of profit or loss and related note disclosures. Based on the work performed to date, the Group's assessment on the expected impact of the initial application of HKFRS 18 is summarised below. The assessment remains subject to change as the Group continues its implementation work.

## 18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2026 *(Continued)*

### HKFRS 18, *Presentation and disclosure in financial statements* *(Continued)*

***(a) Structure of the statement of profit or loss***

HKFRS 18 requires entities to classify income and expenses into specified categories in the statement of profit or loss, including operating, investing, and financing categories. It also requires entities to present two newly defined subtotals, which are "operating profit" and "profit or loss before financing and income taxes". The operating profit subtotal is expected to differ from the current profit from operations subtotal presented by the Group. Based on the work performed to date, the Group also expects the following changes to the consolidated statement of profit or loss:

- Classification of income and expenses depends on the Group's main business activities;
- The Group is required to assess the classification of foreign exchange differences in the same category as the income and expenses from the items that gave rise to the differences, unless doing so would involve undue cost or effort; and
- The Group currently presents operating expenses by function. The Group is assessing whether its current presentation, or a mixed presentation by nature and function, will provide the most useful structured summary of its operating expenses under HKFRS 18. If the Group continues to present one or more operating expense line item by function, information about five specific expenses by nature will be provided in a single note to the financial statements.

***(b) Management-defined performance measures ("MPM")***

MPMs are subtotals of income and expenses used in public communications outside the financial statements that communicate management's view of an aspect of the financial performance of the entity as a whole to users. The Group is also developing a process to identify its public communications and assess which measures reported in those communications meet the definition of an MPM.

The Group will be required to disclose specific information about MPMs in a single note in the financial statements. The MPMs disclosed by the Group following adoption of HKFRS 18 will be determined based on public communications issued by the Group relating to the same reporting period.

***(c) Principles of aggregation and disaggregation***

HKFRS 18 provides enhanced principles on how to group information in the financial statements, including the primary financial statements and the notes. It also introduces guidance on labelling and describing items presented in the primary financial statements or disclosed in the notes.

The Group has been consistently applied the principles of aggregating and disaggregating the items on the basis of similar and dissimilar characteristics. The Group is also assessing line items currently labelled as "other" across the primary financial statements and the notes and expects to use more informative labels where material information would otherwise be obscured.

HKFRS 18 also introduces consequential amendments to HKAS 7, *Statement of cash flows*. The Group is assessing the impact of those amendments, including the requirement to use the newly defined operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method and the classification of interest and dividend cash flows.

The actual impact of applying HKFRS 18 may change as the Group continues to assess the new requirements and finalises any changes to its reporting processes, controls and accounting policies before the date of initial application.