

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36055

**BAIYU Holdings, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**45-4077653**

(I.R.S. Employer  
Identification No.)

**139, Xinzhou 11th Street , Futian District  
Shenzhen , Guangdong, PRC**

(Address of principal executive offices)

**518000**

(Zip Code)

**+86 (0755) 82792111**

(Registrant's telephone number, including area code)

**TD Holdings, Inc.**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001	BYU	Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of November 11, 2023, 4,117,070 shares of the Company's Common Stock, \$0.001 par value per share, were issued and outstanding.

**PART 1. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**BAIYU HOLDINGS, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
**As of September 30, 2023 and December 31, 2022**  
**(Expressed in U.S. dollars, except for the number of shares)**

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,440,259	\$ 893,057
Loans receivable from third parties	201,957,435	143,174,634
Other current assets	9,366,698	4,040,477

Inventories, net	269,732	458,157
<b>Total current assets</b>	<b>213,034,124</b>	<b>148,566,325</b>
<b>Non-Current Assets</b>		
Plant and equipment, net	33,980	6,370
Goodwill	155,411,473	160,213,550
Intangible assets, net	46,628,066	54,114,727
Right-of-use assets	104,679	196,826
<b>Total non-current assets</b>	<b>202,178,198</b>	<b>214,531,473</b>
<b>Total Assets</b>	<b>\$ 415,212,322</b>	<b>\$ 363,097,798</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 417,372	\$ 1,269
Bank borrowings	1,043,344	1,005,083
Third party loans payable	464,283	460,587
Contract liabilities	3,108,291	437,148
Income tax payable	14,651,729	11,634,987
Lease liabilities	93,114	116,170
Other current liabilities	6,161,639	5,348,646
Convertible promissory notes	4,801,966	4,208,141
<b>Total current liabilities</b>	<b>30,741,738</b>	<b>23,212,031</b>
<b>Non-Current Liabilities</b>		
Due to related party	37,605,504	38,767,481
Deferred tax liabilities	2,411,693	3,059,953
Lease liabilities	15,103	84,164
<b>Total non-current liabilities</b>	<b>40,032,300</b>	<b>41,911,598</b>
<b>Total liabilities</b>	<b>70,774,038</b>	<b>65,123,629</b>
<b>Commitments and Contingencies (Note 16)</b>		
<b>Equity</b>		
Common stock (par value \$ 0.001 per share, 600,000,000 shares authorized; 3,753,055 and 2,134,842 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively) <sup>(1)</sup>	3,753	2,135
Additional paid-in capital	406,596,269	344,400,599
Statutory surplus reserve	2,602,667	2,602,667
Accumulated deficit	(41,341,113)	(38,800,375)
Accumulated other comprehensive loss	(21,010,803)	(8,984,925)
<b>Total BYU Shareholders' Equity<sup>(1)</sup></b>	<b>346,850,773</b>	<b>299,220,101</b>
Non-controlling interest	(2,412,489)	(1,245,932)
<b>Total Equity<sup>(1)</sup></b>	<b>344,438,284</b>	<b>297,974,169</b>
<b>Total Liabilities and Equity</b>	<b>\$ 415,212,322</b>	<b>\$ 363,097,798</b>

(1) On October 30, 2023, The Company completed a 50:1 reverse stock split of our common stock issued and outstanding. All shares and associated amounts have been retroactively restated to reflect the reverse stock split.

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**BAIYU HOLDINGS, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE INCOME (LOSS)**  
(Expressed in U.S. dollars, except for the number of shares)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenues</b>				
- Sales of commodity products – third parties	\$ 33,883,096	\$ 37,847,831	\$ 102,937,623	\$ 138,540,090
- Supply chain management services – third parties	28,630	40,724	64,037	1,190,976
<b>Total Revenue</b>	<b>33,911,726</b>	<b>37,888,555</b>	<b>103,001,660</b>	<b>139,731,066</b>
<b>Cost of revenue</b>				
- Commodity product sales-third parties	(33,916,806)	(38,008,016)	103,107,066	138,848,770
- Supply chain management services – third parties	(18,157)	(321)	(41,540)	(6,011)
<b>Total cost of revenue</b>	<b>(33,934,963)</b>	<b>(38,008,337)</b>	<b>103,148,606</b>	<b>138,854,781</b>
<b>Gross profit(loss)</b>	<b>(23,237)</b>	<b>(119,782)</b>	<b>(146,946)</b>	<b>876,285</b>
<b>Operating expenses</b>				
Selling, general, and administrative expenses	(3,034,313)	(1,951,604)	(14,108,225)	(6,075,090)

<b>Total operating expenses</b>	<b>( 3,034,313)</b>	<b>( 1,951,604)</b>	<b>( 14,108,225)</b>	<b>( 6,075,090)</b>
<b>Other income (expenses), net</b>				
Interest income	5,124,728	4,659,595	14,482,016	13,416,254
Interest expenses	( 129,716)	( 149,308)	( 352,938)	( 388,750)
Amortization of beneficial conversion feature relating to issuance of convertible promissory notes	( 228,250)	( 365,125)	( 713,292)	( 898,783)
Other income, net	8,227	104,961	7,130	( 21,283)
<b>Total other income, net</b>	<b>4,774,989</b>	<b>4,250,123</b>	<b>13,422,916</b>	<b>12,107,438</b>
<b>Net income(loss) before income taxes</b>	<b>1,717,439</b>	<b>2,178,737</b>	<b>( 832,255)</b>	<b>6,908,633</b>
Income tax expenses	( 1,037,781)	( 874,815)	( 2,875,040)	( 2,585,583)
<b>Net income(loss)</b>	<b>\$ 679,658</b>	<b>\$ 1,303,922</b>	<b>\$ ( 3,707,295)</b>	<b>\$ 4,323,050</b>
Less: Net loss attributable to non-controlling interests	( 382,556)	-	( 1,166,557)	-
<b>Net income attributable to BAIYU Holdings, Inc.'s Stockholders</b>	<b>679,658</b>	<b>1,303,922</b>	<b>( 2,540,738)</b>	<b>4,323,050</b>
<b>Comprehensive income(loss)</b>				
Net income(loss)	\$ 679,658	\$ 1,303,922	\$ ( 3,707,295)	\$ 4,323,050
Foreign currency translation adjustments	2,156,075	( 13,816,878)	( 12,025,878)	( 26,494,259)
<b>Comprehensive income(loss)</b>	<b>\$ 2,835,733</b>	<b>\$ ( 12,512,956)</b>	<b>\$ ( 15,733,173)</b>	<b>\$ ( 22,171,209)</b>
Less: Total comprehensive loss attributable to non-controlling interests	( 382,556)	-	( 1,166,557)	-
<b>Comprehensive income(loss) attributable to BAIYU Holdings, Inc.'s Stockholders</b>	<b>3,218,289</b>	<b>( 22,905,595)</b>	<b>( 14,566,616)</b>	<b>( 22,171,209)</b>
<b>Income(loss) per share - basic and diluted</b>				
Income(loss) per share – Basic	\$ 0.21	\$ 1.18	\$ ( 1.21)	\$ 4.71
Income(loss) per share – Diluted	\$ 0.16	\$ 1.07	\$ ( 0.93)	\$ 4.16
<b>Weighted Average Shares Outstanding-Basic<sup>(1)</sup></b>	<b>3,209,597</b>	<b>1,103,161</b>	<b>3,074,862</b>	<b>918,236</b>
<b>Weighted Average Shares Outstanding- Diluted</b>	<b>4,141,383</b>	<b>1,224,145</b>	<b>4,006,649</b>	<b>1,039,221</b>

(1) On October 30, 2023, The Company completed a 50:1 reverse stock split of our common stock issued and outstanding. All shares and associated amounts have been retroactively restated to reflect the reverse stock split.

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**BAIYU HOLDINGS, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in U.S. dollars, except for the number of shares)

	Common Stock		Additional paid-in capital	Accumulated Deficit	Surplus Reserve	Accumulated other comprehensive loss	Non-controlling interests	Total (Deficit) Equity
	Shares	Amount						
<b>Balance as of December 31, 2021</b>	<b>552,697</b>	<b>\$ 553</b>	<b>\$ 224,928,030</b>	<b>\$ ( 42,200,603)</b>	<b>\$ 1,477,768</b>	<b>\$ 11,666,607</b>	<b>\$ -</b>	<b>\$ 195,872,355</b>
Issuance of common stocks in connection with private placements	488,400	488	56,919,512	-	-	-	-	56,920,000
Issuance of common stocks pursuant to exercise of convertible promissory notes	66,964	67	2,942,084	-	-	-	-	2,942,151
Beneficial conversion feature relating to issuance of convertible promissory notes	-	-	913,000	-	-	-	-	913,000
Net income	-	-	-	4,323,050	-	-	-	4,323,050
Foreign currency translation adjustments	-	-	-	-	-	( 26,494,259)	-	( 26,494,259)
<b>Balance as of September 30, 2022</b>	<b>1,108,061</b>	<b>\$ 1108</b>	<b>\$ 285,702,626</b>	<b>\$ ( 37,877,553)</b>	<b>\$ 1,477,768</b>	<b>\$ ( 14,827,652)</b>	<b>\$ -</b>	<b>\$ 234,476,297</b>
<b>Balance as of December 31, 2022</b>	<b>2,134,842</b>	<b>\$ 2,135</b>	<b>\$ 344,400,599</b>	<b>\$ ( 38,800,375)</b>	<b>\$ 2,602,667</b>	<b>\$ ( 8,984,925)</b>	<b>\$ ( 1,245,932)</b>	<b>\$ 297,974,169</b>
Issuance of common stocks in connection with private placements	1,260,000	1,260	52,148,740	-	-	-	-	52,150,000
Issuance of common stocks pursuant to ATM transaction	13,786	14	559,059	-	-	-	-	559,073
Issuance of common stocks pursuant to exercise of convertible promissory notes	124,427	124	2,877,091	-	-	-	-	2,877,215

Issuance of common stock pursuant to stock incentive stock plan (in Shares)	220,000	220	5,687,780					5,698,000
Beneficial conversion feature relating to issuance of convertible promissory notes	-	-	913,000	-	-	-	-	913,000
Net income(loss)	-	-	-	(2,540,738)	-	-	(1,166,557)	(3,707,295)
Foreign currency translation adjustments	-	-	-	-	-	(12,025,878)	-	(12,025,878)
<b>Balance as of September 30, 2023<sup>(1)</sup></b>	<b>3,753,055</b>	<b>\$ 3,753</b>	<b>\$ 406,596,269</b>	<b>\$ (41,341,113)</b>	<b>\$ 2,602,667</b>	<b>\$ (21,010,803)</b>	<b>\$ (2,412,489)</b>	<b>\$344,438,284</b>

(1) On October 30, 2023, The Company completed a 50:1 reverse stock split of our common stock issued and outstanding. All shares and associated amounts have been retroactively restated to reflect the reverse stock split.

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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**BAIYU HOLDINGS, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in U.S. dollars, except for the number of shares)

	Common Stock		Additional paid-in capital	Accumulated Deficit	Surplus Reserve	Accumulated other comprehensive income (loss)	Non-controlling interests	Total (Deficit) Equity
	Shares	Amount						
<b>Balance as of June 30, 2022</b>	<b>1,094,720</b>	<b>\$ 1,095</b>	<b>\$ 285,077,639</b>	<b>\$ (39,181,475)</b>	<b>\$ 1,477,768</b>	<b>\$ (1,010,774)</b>	<b>\$ -</b>	<b>\$246,364,253</b>
Issuance of common stocks in connection with private placements	-	-	-	-	-	-	-	-
Issuance of common stocks pursuant to exercise of convertible promissory notes	13,340	13	624,987	-	-	-	-	625,000
Beneficial conversion feature relating to issuance of convertible promissory notes	-	-	-	-	-	-	-	-
Net income	-	-	-	1,303,922	-	-	-	1,303,922
Foreign currency translation adjustments	-	-	-	-	-	(13,816,878)	-	(13,816,878)
<b>Balance as of September 30, 2022</b>	<b>1,108,061</b>	<b>\$ 1,108</b>	<b>\$ 285,702,626</b>	<b>\$ (37,877,553)</b>	<b>\$ 1,477,768</b>	<b>\$ (14,827,652)</b>	<b>\$ -</b>	<b>\$234,476,297</b>
<b>Balance as of June 30, 2023</b>	<b>3,128,149</b>	<b>\$ 3,128</b>	<b>\$ 396,346,894</b>	<b>\$ (42,403,327)</b>	<b>\$ 2,602,667</b>	<b>\$ (23,166,878)</b>	<b>\$ (2,029,933)</b>	<b>\$331,352,551</b>
Issuance of common stocks in connection with private placements (in Shares)	560,000	560	9,799,440					9,800,000
Issuance of common stocks pursuant to exercise of convertible promissory notes	64,096	65	449,935	-	-	-	-	450,000
Net Income(loss)	-	-	-	1,062,214	-	-	(382,556)	679,658
Foreign currency translation adjustments	-	-	-	-	-	2,156,075	-	2,156,075
<b>Balance as of September 30, 2023<sup>(1)</sup></b>	<b>3,753,055</b>	<b>\$ 3,753</b>	<b>\$ 406,596,269</b>	<b>\$ (41,341,113)</b>	<b>\$ 2,602,667</b>	<b>\$ (21,010,803)</b>	<b>\$ (2,412,489)</b>	<b>\$344,438,284</b>

(1) On October 30, 2023, The Company completed a 50:1 reverse stock split of our common stock issued and outstanding. All shares and associated amounts have been retroactively restated to reflect the reverse stock split.

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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**BAIYU HOLDINGS, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in U.S. dollar)

	For the Nine Months Ended September 30,	
	2023	2022
<b>Cash Flows from Operating Activities:</b>		
<b>Net income(loss)</b>	\$ ( 3,707,295)	\$ 4,323,050
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Amortization of intangible assets	6,002,628	2,967,735
Depreciation of plant and equipment	6,289	4,503
Amortization of discount on convertible promissory notes	200,000	354,333
Amortization of right of use assets	88,416	248,475
Amortization of beneficial conversion feature relating to issuance of convertible promissory notes	713,292	898,783
Monitoring fee relating to convertible promissory notes	-	157,276
Interest expense for convertible promissory notes	245,506	341,482
Deferred tax liabilities	( 569,635)	( 604,813)
Inventories impairment	( 16,818)	-
Share-based payment stock to service providers	5,698,000	-
Changes in operating assets and liabilities:		
Other current assets	( 9,754,421)	74,164
Escrow account receivable	-	-
Inventories	195,620	( 504,519)
Prepayments	( 3,297,177)	( 5,689)
Contract liabilities	2,747,384	( 5,039,217)
Accounts payable	425,930	( 2,067,808)
Due to related parties	-	( 20,433)
Due from third parties	( 275,930)	( 1,239,339)
Due from related parties	( 1,963,576)	( 517,471)
Income tax payable	3,444,639	3,190,730
Other current liabilities	941,335	1,202,550
Lease liabilities	( 88,281)	( 178,203)
Due to third party loans payable	17,913	19,019
<b>Net cash provided by operating activities</b>	<b>1,053,819</b>	<b>3,604,608</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of plant and equipment	( 34,733)	( 5,449)
Purchases of operating lease assets	-	( 58,617)
Payment made on loans to related parties	-	( 301,624)
Payment made on loans to third parties	( 122,971,023)	( 77,227,957)
Collection of loans from related parties	-	10,637,336
Collection of loans from third parties	58,413,241	3,758,759
Investments in other investing activities	( 58,951)	( 51,192)
<b>Net cash used in investing activities</b>	<b>( 64,651,465)</b>	<b>( 63,248,744)</b>
<b>Cash Flows from Financing Activities:</b>		
<b>Repayments made on loans to third parties</b>	69,995	-
<b>Payments of borrowings to the third parties</b>	-	( 30,272)
Proceeds from issuance of common stock under ATM transaction	559,073	-
Proceeds from issuance of common stock under private placement transactions	42,350,000	56,920,000
Proceeds from issuance of convertible promissory notes	13,025,243	3,000,000
<b>Net cash provided by financing activities</b>	<b>56,004,311</b>	<b>59,889,728</b>
Effect of exchange rate changes on cash and cash equivalents	8,140,537	( 1,872,016)
Net increase/(decrease) in cash and cash equivalents	547,202	( 1,626,424)
Cash at the beginning of period	893,057	4,311,068
Cash at the end of period	<b>\$ 1,440,259</b>	<b>\$ 2,684,644</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest expense	\$ 38,918	\$ 63,752
Cash paid for income tax	\$ -	\$ 1,712
<b>Supplemental disclosure of non-cash investing and financing activities</b>		
Right-of-use assets obtained in exchange for operating lease obligations	\$ 58,617	\$ 58,617
Issuance of common stocks in connection with conversion of convertible promissory notes	\$ 13,590,215	\$ 3,855,150

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**BAIYU HOLDINGS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. ORGANIZATION AND BUSINESS DESCRIPTION**

BAIYU Holding, Inc. is a Delaware corporation, incorporated under the laws of the state of Delaware.

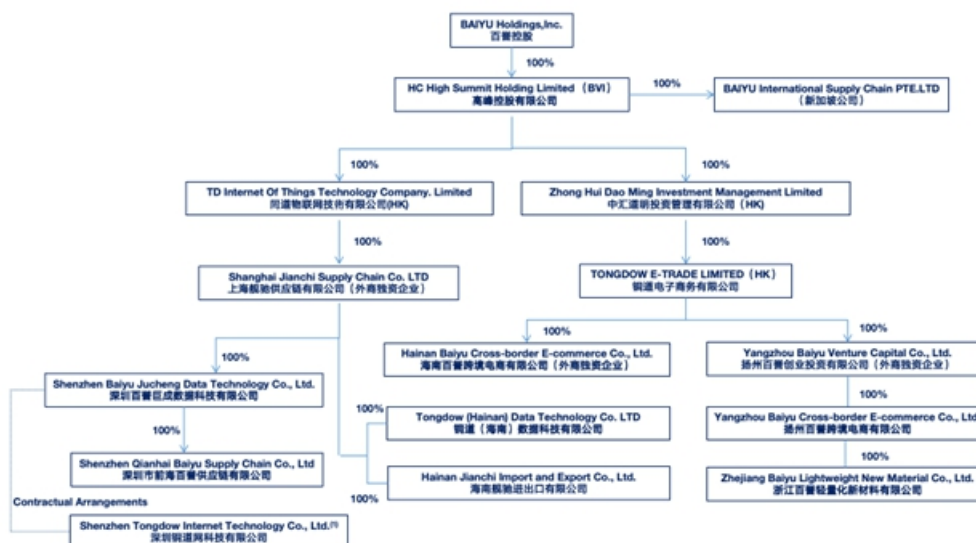
On October 19, 2023, the Company has changed the name from TD Holdings, Inc. to BAIYU Holdings, Inc., with market effectiveness on Nasdaq since October 30, 2023.

The Company primarily conducts business through Shenzhen Baiyu Jucheng Data Technology Co., Ltd., Shenzhen Qianhai Baiyu Supply Chain Co., Ltd., Hainan Jianchi Import and Export Co., Ltd., and Shenzhen Tongdow Internet Technology Co., Ltd. to offer the commodity trading business and supply chain management services to customers in the PRC. Supply chain management services consist of loan recommendation services and

commodity product distribution services.

Name	Background	Ownership
HC High Summit Holding Limited (“HC High BVI”)	A BVI company Incorporated on March 22, 2018 A holding company	100% owned by the Company
TD Internet of Things Technology Company Limited (“TD Internet Technology”) (Formerly Named: Tongdow Block Chain Information Technology Company Limited)	A Hong Kong company Incorporated on February 14, 2020 A holding company	100% owned by HC High BVI
Zhong Hui Dao Ming Investment Management Limited (“ZHDM HK”)	A Hong Kong company Incorporated on June 19, 2002 A holding company	100% owned by HC High BVI
Tongdow E-trade Limited (“Tongdow HK”)	A Hong Kong company Incorporated on November 25, 2010 A holding company	100% owned by HC High BVI
Shanghai Jianchi Supply Chain Co., Ltd. (“Shanghai Jianchi”)	A PRC company and deemed a wholly foreign owned enterprise (“WFOE”) Incorporated on April 2, 2020 Registered capital of \$10 million A holding company	WFOE, 100% owned by TD Internet Technology
Tongdow (Hainan) Data Technology Co., Ltd. (“Tondow Hainan”)	A PRC limited liability company Incorporated on July 16, 2020 Registered capital of \$1,417,736 (RMB 10 million)	A wholly owned subsidiary of Shanghai Jianchi
Hainan Jianchi Import and Export Co., Ltd. (“Hainan Jianchi”)	A PRC limited liability company Incorporated on December 21, 2020 Registered capital of \$7,632,772 (RMB50 million) with registered capital of \$0 (RMB0) paid-up	A wholly owned subsidiary of Shanghai Jianchi
Shenzhen Baiyu Jucheng Data Technology Co.,Ltd. (“Shenzhen Baiyu Jucheng”)	A PRC limited liability company Incorporated on December 30, 2013 Registered capital of \$1,417,736 (RMB 10 million) with registered capital fully paid- up	VIE of Hao Limo Technology (Beijing) Co., Ltd. before June 25, 2020, and a wholly owned subsidiary of Shanghai Jianchi
Shenzhen Qianhai Baiyu Supply Chain Co., Ltd. (“Qianhai Baiyu”)	A PRC limited liability company Incorporated on August 17, 2016 Registered capital of \$4,523,857 (RMB 30 million) with registered capital of \$736,506 (RMB 5 million) paid-up	A wholly owned subsidiary of Shenzhen Baiyu Jucheng
Shenzhen Tongdow Internet Technology Co., Ltd. (“Shenzhen Tongdow”)	A PRC limited liability company Incorporated on November 11, 2014 Registered capital of \$1,628,320 (RMB10 million) with registered capital of \$1,628,320 (RMB10 million) paid-up	VIE of Shenzhen Baiyu Jucheng
Yangzhou Baiyu Venture Capital Co. Ltd. (“Yangzhou Baiyu Venture”)	A PRC limited liability company Incorporated on April 19, 2021 Registered capital of \$30 million with registered capital of \$7 million paid-up	WFOE, 100% owned by Tongdow HK
Yangzhou Baiyu Cross-broder E-commerce Co., Ltd. (“Yangzhou Baiyu E-commerce”)	A PRC limited liability company Incorporated on May 14, 2021 Registered capital of \$30 million (RMB200 million) with registered capital of \$7 million (RMB48 million) paid-up	100% owned by Yangzhou Baiyu Venture
Zhejiang Baiyu Lightweight New Material Co., Ltd. (“Zhejiang Baiyu”)	A PRC limited liability company Incorporated on August 5, 2022 Registered capital of \$1,483,569 (RMB10 million)	100% owned by Yangzhou Baiyu E-commerce
Baiyu International Supply Chain PTE.LTD	A Singapore company Incorporated on Jun 28, 2023	100% owned by HC High BVI

The following diagram illustrates our corporate structure as of September 30, 2023.



(1) A variable interest entity controlled through contractual arrangements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **(a) Basis of presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“**U.S. GAAP**”). All transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation.

The unaudited interim condensed consolidated financial information as of September 30, 2023 and for the nine months ended September 30, 2023 and 2022 have been prepared, pursuant to the rules and regulations of the Securities and Exchange Commission (the “**SEC**”). Certain information and footnote disclosures, which are normally included in annual condensed consolidated financial statements prepared in accordance with U.S. GAAP, have been omitted pursuant to those rules and regulations. The unaudited interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements and the notes thereto, included in the Company's Form 10-K for the fiscal year ended December 31, 2022 previously filed with the SEC on March 10, 2023.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the Company's unaudited condensed consolidated financial position as of September 30, 2023 and its unaudited condensed consolidated results of operations for the three months and nine months ended September 30, 2023 and 2022, and its unaudited condensed consolidated cash flows for the nine months ended September 30, 2023 and 2022, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating results for the fiscal year or any future periods.

#### **Use of estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management reviews these estimates using the currently available information. Changes in facts and circumstances may cause the Company to revise its estimates. Significant accounting estimates reflected in the financial statements include: (i) useful lives and residual value of long-lived assets; (ii) the impairment of long-lived assets and investments; (iii) the valuation allowance of deferred tax assets; (iv) estimates of allowance for doubtful accounts, including loans receivable from third parties; and (v) contingencies and litigation.

#### **Foreign currency**

The Company's financial information is presented in U.S. dollars (“**USD**”). The functional currency of the Company is the Chinese Yuan Renminbi (“**RMB**”), the currency of PRC. Any transactions which are denominated in currencies other than RMB are translated into RMB at the exchange rate quoted by the People's Bank of China prevailing at the dates of the transactions, and exchange gains and losses are included in the statements of operations as foreign currency transaction gain or loss. The consolidated financial statements of the Company have been translated into U.S. dollars in accordance with ASC 830, Foreign Currency Matters. The financial information is first prepared in RMB and then translated into U.S. dollars at period-end exchange rates for assets and liabilities and average exchange rates for revenue and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred. The effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income (loss) in stockholders' equity. Cash flows from the Company's operations are calculated based upon the local currencies using the average translation rate. As a result, amounts related to assets and liabilities reported on the statements of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheets.

#### **(b) Convertible promissory notes**

Convertible promissory notes are recognized initially at fair value, net of upfront fees, debt discounts or premiums, debt issuance costs and other incidental fees. Upfront fees, debt discounts or premiums, debt issuance costs and other incidental fees are recorded as a reduction of the proceeds received and the related accretion is recorded as interest expense in the consolidated income statements over the estimated term of the facilities using the effective interest method.

#### **(c) Beneficial conversion feature**

The Company evaluates the conversion feature to determine whether it was beneficial as described in ASC 470-20. The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible promissory notes payable and may not be settled in cash upon conversion, is treated as a discount to the convertible promissory notes payable. This discount is amortized over the period from the date of issuance to the date the notes are due using the effective interest method. If the notes payable is retired prior to the end of their contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative fair value of detachable instruments included in the financing transaction, if any, to the fair value of the shares of common stock at the commitment date to be received upon conversion.

#### **(d) Recent accounting pronouncement**

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The new amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments, with early adoption permitted. The Group is currently evaluating the impact of the new guidance on the consolidated financial statements.

In June 2022, the FASB issued ASU 2022-03, “Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions”, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for fiscal years beginning after 15 December 2023, including interim periods within those fiscal years. Early adoption is permitted. The Group does not expect that the adoption of this guidance will have a material impact on the financial position, results of operations and cash flows.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its consolidated financial condition, results of operations, cash flows or disclosures.

### 3. LOANS RECEIVABLE FROM THIRD PARTIES

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Loans receivable from third parties	\$ 201,957,435	\$ 143,174,634

As of September 30, 2023, the Company has 11 loan agreements compared with 11 loan agreements on December 31, 2022. The Company provided loans aggregating \$ 137,770,733 for the purpose of making use of idle cash and maintaining long-term customer relationships and collected \$ 78,987,932.21 during the nine months ended September 30, 2023. These loans will mature from Oct 2023 through September 2024, and charges an interest rate of 10.95 % per annum on these customers.

Interest income of \$ 5,124,625 and \$ 4,659,169 was recognized for the three months ended September 30, 2023 and 2022, respectively. Interest income of \$ 14,481,640 and \$ 13,414,369 was recognized for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023 and December 31, 2022, the Company recorded an interest receivable of \$ 5,425,655 and \$ 3,337,655 as reflected under "other current assets" in the unaudited condensed consolidated balance sheets.

As of September 30, 2023 and December 31, 2022 there was no allowance recorded as the Company considers all of the loans receivable fully collectible.

### 4. INVENTORIES, NET

The Company's inventories consist of zinc ingots, etc., that were purchased from third parties for resale to third parties. Inventories consisted of the following:

	<u>September 30 2023</u>	<u>December 31, 2022</u>
Zinc ingots	\$ 269,732	\$ 475,096
Less: impairment for inventories	-	( 16,939)
<b>Inventories, net</b>	<b>\$ 269,732</b>	<b>\$ 458,157</b>

For the nine months ended September 30, 2023, the Company charged back impairment of \$ 16,939 as the impaired inventories have been sold.

### 5. PLANT AND EQUIPMENT, NET

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
<b>Cost:</b>		
Office equipment	\$ 43,415	\$ 9,747
<b>Accumulated depreciation:</b>		
Office equipment	\$ ( 9,435)	\$ ( 3,377)
<b>Plant and equipment, net</b>	<b>\$ 33,980</b>	<b>\$ 6,370</b>

Depreciation expense was \$ 6,289 for the nine months ended September 30, 2023. Depreciation expense was \$ 3,377 for the twelve months ended December 31, 2022.

### 6. GOODWILL

Changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2023 and December 31, 2022 were as follows:

	<u>Acquisition of Qianhai Baiyu</u>	<u>Contractual arrangement with Tongdow Internet Technology</u>	<u>Total</u>
<b>Balance as of December 31, 2020 <sup>(i)</sup></b>	<b>\$ 69,322,325</b>	<b>\$ -</b>	<b>\$ 69,322,325</b>
Foreign currency translation adjustments	1,705,958	-	1,705,958
<b>Balance as of December 31, 2021</b>	<b>\$ 71,028,283</b>	<b>\$ -</b>	<b>\$ 71,028,283</b>
Additions <sup>(ii)</sup>	-	92,505,479	92,505,479
Foreign currency translation adjustments	( 6,005,881)	2,685,669	( 3,320,212)
<b>Balance as of December 31, 2022</b>	<b>\$ 65,022,402</b>	<b>\$ 95,191,148</b>	<b>\$ 160,213,550</b>
Foreign currency translation adjustments	( 1,948,915)	( 2,853,162)	( 4,802,077)
<b>Balance as of September 30, 2023</b>	<b>\$ 63,073,487</b>	<b>\$ 92,337,986</b>	<b>\$ 155,411,473</b>

(i) The goodwill associated with the acquisition of Shenzhen Baiyu Jucheng was initially recognized at the acquisition closing date on October 26, 2020.

(ii) During the year ended December 31, 2022, the goodwill associated with the contractual arrangement with Tongdow Internet Technology was initially recognized at the date on October 17, 2022.

Based on an assessment of the qualitative factors, management determined that it is more-likely-than-not that the fair value of the reporting unit is in excess of its carrying amount. Therefore, management concluded that it was not necessary to proceed with the two-step goodwill impairment test. No impairment loss or other changes were recorded, except for the influence of foreign currency translation for the nine months ended September 30, 2023 and the year ended December 31, 2022.

## 7. INTANGIBLE ASSETS

	September 30, 2023	December 31, 2022
Customer relationships	\$ 18,304,131	\$ 18,869,713
Software copyright	46,380,122	47,813,227
<b>Total</b>	<b>64,684,253</b>	<b>66,682,940</b>
Less: accumulative amortization	( 18,056,187)	( 12,568,213)
<b>Intangible assets, net</b>	<b>\$ 46,628,066</b>	<b>\$ 54,114,727</b>

The Company's intangible assets consist of customer relationships and software copyright. Customer relationships are generally recorded in connection with acquisitions at their fair value and the software copyrights were purchased in March 2021 and recorded in connection with the contractual arrangement with Shenzhen Tongdow Internet Technology Co., Ltd. Intangible assets with estimable lives are amortized, generally on a straight-line basis, over their respective estimated useful lives: 6.2 years for customer relationships, 6.83 years for one kind of software copyright purchased in March 2021 and 10 years for the other kind of software copyright recorded in connection with the contractual arrangement with Shenzhen Tongdow Internet Technology Co., Ltd. to their estimated residual values and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the nine months ended September 30, 2023, the Company amortized \$ 6,002,628 . For the nine months ended September 30, 2022, the Company amortized \$ 2,967,735 . No impairment loss was made against the intangible assets during the nine months ended September 30, 2023.

The estimated amortization expense for these intangible assets in the next five years and thereafter is as follows:

<b>Period ending September 30, 2023:</b>	<b>Amount</b>
current year	\$ 1,954,894
2024	7,819,574
2025	7,819,574
2026	7,819,574
2027	7,819,574
Thereafter	13,394,876
<b>Total:</b>	<b>\$ 46,628,066</b>

## 8. BANK BORROWINGS

Bank borrowings represent the amounts due to Baosheng County Bank and to Bank of Communications. As of September 30, 2023 and December 31, 2022, bank loans consisted of the following:

	September 30, 2023	December 31, 2022
Short-term bank loans:		
Loan from Baosheng County Bank	\$ 974,958	\$ 1,005,083
Bank of Communications	68,386	-
<b>Total:</b>	<b>1,043,344</b>	<b>1,005,083</b>

In August 2022, Qianhai Baiyu entered into five loan agreements with Baosheng County Bank to borrow a total amount of RMB 7.0 million as working capital for one year, with the maturity in August 2023. The five loans bear a fixed interest rate of 7.8 % per annum and are guaranteed by Shenzhen Herun Investment Co., Ltd, Li Hongbin and Wang Shuang.

In August 2023, Qianhai Baiyu entered into a loan agreement with the Bank of Communications, borrowing a total of RMB 4.91 million yuan as a two-year working capital, due in August 2024.

For the nine months ended September 30, 2023, the Company paid interest expense on bank loans of \$ 194 .

## 9. LEASES

The Company leases two offices under non-cancelable operating leases, two leases with terms of 38 months and the remaining lease term of 24 months. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right-of-use assets and lease liabilities. The amortization of right-of-use assets for lease payment is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet.

The Company determines whether a contract is or contains a lease at the inception of the contract and whether that lease meets the classification criteria of finance or operating lease. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company discounts lease payments based on an estimate of its incremental borrowing rate.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental consolidated balance sheet information related to the operating lease was as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
<b>Right-of-use lease assets, net</b>	<b>\$ 104,679</b>	<b>\$ 196,826</b>
Lease Liabilities-current	\$ 93,114	\$ 116,170
Lease liabilities-non current	15,103	84,164
<b>Total</b>	<b>\$ 108,217</b>	<b>\$ 200,334</b>

The weighted average remaining lease terms and discount rates for the operating lease were as follows as of September 30, 2023:

<b>Remaining lease term and discount rate:</b>	
Weighted average remaining lease term (years)	0.17 - 1.5
Weighted average discount rate	4.75 %- 5.00 %

For the nine months ended September 30, 2023 and 2022, the Company charged total amortization of right-of-use assets of \$ 68,877 and \$ 248,475 respectively. For the three months ended September 30, 2023 and 2022, the Company charged total amortization of right-of-use assets of \$ 7,737 and \$ 78,391 respectively.

The following is a schedule, by fiscal quarter, of maturities of lease liabilities as of September 30, 2023:

<b>Period ending September 30, 2023:</b>	<b>Amount</b>
current year	\$ 52,233
2024	86,343
<b>Total lease payments</b>	<b>138,576</b>
Less: imputed interest	30,359
<b>Present value of lease liabilities</b>	<b>\$ 108,217</b>

## 10. OTHER CURRENT LIABILITIES

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Accrued payroll and benefit	\$ 1,834,151	\$ 1,831,506
Other tax payable	4,310,625	3,451,928
Others	16,863	65,212
<b>Total</b>	<b>\$ 6,161,639</b>	<b>\$ 5,348,646</b>

## 11. CONVERTIBLE PROMISSORY NOTES

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Convertible promissory notes – principal	\$ 4,773,223	\$ 4,053,982
Convertible promissory notes – discount	( 565,126)	( 325,416)
Convertible promissory notes – interest	593,869	479,575
<b>Convertible promissory notes, net</b>	<b>\$ 4,801,966</b>	<b>\$ 4,208,141</b>

On October 4, 2021, the Company entered into a securities purchase agreement with Atlas Sciences, LLC, a Utah limited liability company, pursuant to which the Company issued the investor an unsecured promissory note on October 4, 2021 in the original principal amount of \$ 2,220,000 , convertible into shares of the Company's common stock, for \$ 2,000,000 in gross proceeds. The Company settled convertible promissory notes of \$ 125,000 on December 30, 2022, \$ 125,000 on January 10, 2023, \$ 125,000 on January 18, 2023, \$ 250,000 on February 2, 2023, \$ 250,000 on March 2, 2023, \$ 250,000 on April 5, 2023 and \$ 102,214.66 on June 20, 2023, respectively, and issued 148,399 , 147,824 , 147,475 , 292,987 , 279,567 , 357,142 and 208,976 shares of the Company's common stock on January 6, 2023, on January 12, 2023, January 18, 2023, February 3, 2023, March 2, 2023, April 10, 2023 and June 21, 2023, respectively for the nine months ended September 30, 2023. As of September 30, 2023, the convertible promissory note issued on October 4, 2021 has been fully settled.

On May 6, 2022, the Company entered into a securities purchase agreement with Streeterville Capital, LLC, a Utah limited liability company, pursuant to which the Company issued the investor a convertible promissory note in the original principal amount of \$ 3,320,000 , convertible into shares of Common Stock, \$ 0.001 par value per share, of the Company, for \$ 3,000,000 in gross proceeds. By written consent dated May 10, 2022, as permitted by Section 228 of the Delaware General Corporation Law and Section 8 of Article II of our bylaws, the stockholders who have the authority to vote a majority of the outstanding shares of Common Stock approved the following corporate actions: (i) the entry into a purchase agreement dated as of May 6, 2022 by and between the Company and Investor, pursuant to which the Company issued the note dated as of May 6, 2022 to the investor; and (ii) the issuance of shares of Common Stock in excess of 19.99 % of the currently issued and outstanding shares of Common Stock of the Company upon the conversion of the note. The Company settled convertible promissory notes of \$ 200,000 on January 18, 2023, \$ 200,000 on February 3, 2023, \$ 175,000 on February 8, 2023, \$ 250,000 on February 15, 2023, \$ 250,000 on March 8, 2023, \$ 125,000 on March 24, 2023 and \$ 150,000 on September 14, 2023, respectively, and issued 235,960 , 234,389 , 205,090 , 292,987 , 279,567 , 145,660 and 1,153,846 shares of the Company's common stock on January 19, 2023, February 6, 2023, February 8, 2023, February 15, 2023, March 15, 2023, March 29, 2023 and September 15, 2023, respectively for the nine months ended September 30, 2023.

On March 13, 2023, the Company entered into a securities purchase agreement with Streeterville Capital, LLC, a Utah limited liability company, pursuant to which the Company issued the investor a convertible promissory note in the original principal amount of \$ 3,320,000 , convertible into shares of Common Stock, \$ 0.001 par value per share, of the Company, for \$ 3,000,000 in gross proceeds. By written consent dated March 6, 2023, as permitted by Section 228 of the Delaware General Corporation Law and Section 8 of Article II of our bylaws, the stockholders who have the authority to vote a majority of the outstanding shares of Common Stock approved the following corporate actions: (i) the entry into a purchase agreement, with terms

substantially the same as the agreement attached in the aforesaid purchase agreement, by and between the Company and Investor, pursuant to which the Company issued an unsecured convertible promissory to the investor; and (ii) the issuance of shares of Common Stock in excess of 19.99 % of the currently issued and outstanding shares of Common Stock of the Company upon the conversion of the note. The Company settled convertible promissory notes of \$ 300,000 on September 7, 2023, and issued 2,091,466 shares of the Company's common stock on September 12, 2023, for the nine months ended September 30, 2023.

The above two unsettled convertible promissory notes, issued on May 6, 2022 and March 13, 2023 have a maturity date of 12 months with an interest rate of 10 % per annum. The Company retains the right to prepay the note at any time prior to conversion with an amount in cash equal to 125 % of the principal that the Company elects to prepay at any time three months after the issue date, subject to a maximum monthly redemption amount of \$ 375,000 and \$ 375,000 , respectively. On or before the close of business on the third trading day of redemption, the Company should deliver conversion shares via "DWAC" (DTC's Deposit/Withdrawal at Custodian system). The Company will be required to pay the redemption amount in cash or chooses to satisfy a redemption in registered stock or unregistered stock, such stock shall be issued at 80 % of the average of the lowest "VWAP" (the volume-weighted average price of the Common Stock on the principal market for a particular Trading Day or set of Trading Days) during the fifteen trading days immediately preceding the redemption notice is delivered.

Upon evaluation, the Company determined that the Agreements contained embedded beneficial conversion features which met the definition of *Debt with Conversion and Other Options covered under the Accounting Standards Codification topic 470 ("ASC 470")*. According to ASC 470, an embedded beneficial conversion feature present in a convertible instrument shall be recognized separately at issuance by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. Pursuant to the agreements, the Company shall recognize embedded beneficial conversion features three months after commitment date of \$ 913,000 and \$ 913,000 respectively. Beneficial conversion features have been recognized into discount on convertible promissory notes and additional paid-in capital and such discount will be amortized in 12 months until the notes will be settled. For the three months ended September 30, 2023, the Company has recognized the amortization of beneficial conversion feature \$ 36,140 and \$ 228,250 to profit. For the nine months ended September 30, 2023, the Company has recognized the amortization of beneficial conversion feature \$ 218,750 and \$ 266,292 to profit.

## 12. EQUITY

### Common stock issued in private placements

On January 9, 2023, the Company entered into a certain securities purchase agreement with Ms. Huiwen Hu, an affiliate of the Company, and certain other purchasers who are non-U.S. Persons, (as defined in Regulation S under the Securities Act of 1933, as amended), pursuant to which the Company agreed to sell an aggregate of 35,000,000 shares of its common stock, at a purchase price of \$ 1.21 per share ("**January 2023 PIPE**"). The gross proceeds to the Company from the January 2023 PIPE were \$ 42.35 million. Since Ms. Huiwen Hu is an affiliate of the Company, the January 2023 PIPE has been approved by the Audit Committee as well as the Board of Directors of the Company.

### Common stock issued pursuant to the conversion of convertible promissory notes

The Company settled convertible promissory notes issued on October 4, 2021 of \$ 125,000 on December 30, 2022, \$ 125,000 on January 10, 2023, \$ 125,000 on January 18, 2023, \$ 250,000 on February 2, 2023, \$ 250,000 on March 2, 2023, \$ 250,000 on April 5, 2023, and \$ 102,214.66 on June 20, 2023 respectively, and issued 148,399 , 147,824 , 147,475 , 292,987 , 279,567 , 357,142 , and 208,976 shares of the Company's common stock on January 6, 2023, January 12, 2023, January 18, 2023, February 3, 2023, March 2, 2023, on April 10, 2023, and June 21, 2023 respectively for the nine months ended September 30, 2023.

The Company settled convertible promissory notes issued on May 6, 2022 of \$ 200,000 on January 18, 2023, \$ 200,000 on February 3, 2023, \$ 175,000 on February 8, 2023, \$ 250,000 on February 15, 2023, \$ 250,000 on March 8, 2023, \$ 125,000 on March 24, 2023, and \$ 150,000 on September 14, 2023, respectively, and issued 235,960 , 234,389 , 205,090 , 292,987 , 279,567 , 145,660 and 1,153,846 shares of the Company's common stock on January 19, 2023, February 6, 2023, February 8, 2023, February 15, 2023, March 15, 2023, March 29, 2023, and September 15, 2023, respectively for the nine months ended September 30, 2023.

The Company settled convertible promissory notes of \$ 300,000 on September 7, 2023, and issued 2,091,466 shares of the Company's common stock on September 12, 2023, for the nine months ended September 30, 2023.

### Reverse stock split of common stock

On August 8, 2022, The Company completed a five (5) for one (1) reverse stock split of our issued and outstanding common stock, par value \$ 0.001 per share.

On October 30, 2023, The Company completed a fifty (50) for one (1) reverse stock split of our issued and outstanding common stock, par value \$ 0.001 per share.

### Settlement and Restated Common Stock Purchase Agreement

On January 19, 2021, the Company entered into a common stock purchase agreement, with White Lion Capital, LLC, a Nevada limited liability company (the "investor"), and on September 13, 2021, the Company entered into a Settlement and Mutual Release Agreement (the "Settlement Agreement") with the investor. Pursuant to the Settlement Agreement, the Company and the investor agreed that on any trading day selected by the Company, provided that the closing price of the Company's common stock, par value \$ 0.001 per share, on the date of purchase notice is greater than or equal to \$ 1.00 and there is an effective registration statement for the resale by the investor of the purchase notice shares, the Company has the right, but not the obligation, to present the investor with a purchase notice, directing the investor to purchase up to certain amount shares of the Company's Common Stock.

On December 12, 2022, the Company entered into a Settlement and Restated Common Stock Purchase Agreement (the "Restated Agreement") with White Lion Capital, LLC (the "investor"). Pursuant to the Restated Agreement, in consideration for the investor's execution and delivery of, and performance under the Restated Agreement, the Company agreed to issue to the investor 300,000 unregistered shares of Common Stock within five business days of execution of the Restated Agreement. In addition, within thirty days of the execution of the Restated Agreement, the Company shall deliver to the investor a purchase notice for 489,306 shares of Common Stock (the "First Purchase Notice") at a purchase price of 80 % of the lowest daily volume-weighted average price ("VWAP") of the Company's Common Stock during the valuation period as defined in the Restated Agreement (the

“Purchase Price”). Within thirty days of the closing of the First Purchase Notice, the Company shall deliver to the investor a purchase notice for 200,000 purchase notice shares (the “Second Purchase Notice”) at the Purchase Price. Between the closing date of the Second Purchase Notice and the period ending on the earlier of (i) March 31, 2023 or (ii) the date on which the investor shall have purchased an aggregate of 2,889,306 purchase notice shares, the Company shall have the right, but not the obligation, to direct the Investor to purchase up to 1,900,000 purchase notice shares at which (i) the first 600,000 purchase notice shares shall be at the Purchase Price and (ii) any remaining purchase notice shares shall be at a purchase price of 85% of the lowest daily VWAP of the Company’s Common Stock during the valuation period as defined in the Restated Agreement.

According to the agreement, the company has issued 478,468 and 200,000 shares of common stock on January 20 2023 and February 1 2023, and received proceeds of \$ 400,182 and \$ 158,891 in January 2023 and February 2023.

#### Warrants

A summary of warrants activity for the nine months ended September 30, 2023 was as follows:

	<u>Number of shares</u>	<u>Weighted average life</u>	<u>Weighted average exercise price</u>	<u>Intrinsic Value</u>
Balance of warrants outstanding and exercisable as of December 31, 2022	3,854,674	3.70 years	\$ 7.15	-
Granted	-	-	-	-
Exercised	-	-	-	-
Balance of warrants outstanding and exercisable as of September 30, 2023	<u>3,854,674</u>	2.95 years	<u>\$ 7.15</u>	<u>-</u>

As of September 30, 2023, the Company had 3,854,674 shares of warrants, among which 54,674 shares of warrants were issued to two individuals in private placements, and 3,800,000 shares of warrants were issued in three private placements closed on September 22, 2021.

In connection with 3,800,000 shares of warrants, the Company issued warrants to investors to purchase a total of 3,800,000 common stock with a warrant term of five (5) years . The warrants have an exercise price of \$ 5.75 per share.

The Warrants ended on September 30, 2023 are subject to anti-dilution provisions to reflect stock dividends and splits or other similar transactions, but not as a result of future securities offerings at lower prices. The warrants did not meet the definition of liabilities or derivatives, and as such they are classified as equity.

### 13. INCOME PER SHARE

Basic income per share is computed by dividing the net profit or loss by the weighted average number of common shares outstanding during the period. As of September 30, 2023, the principal amount and interest expense of convertible promissory notes are \$ 4,773,223 and \$ 593,869 . Total obligations of \$ 5,367,092 may be dilutive common shares in the future.

The number of warrants is excluded from the computation as the anti-dilutive effect.

The following table sets forth the computation of basic and diluted income per common share for the nine months ended September 30, 2023 and 2022 respectively:

	<u>For the Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<b>Net income(loss)</b>	<b>\$ ( 3,707,295)</b>	<b>\$ 4,323,050</b>
<b>Weighted Average Shares Outstanding-Basic</b>	<b>3,074,862</b>	<b>918,236</b>
<b>Weighted Average Shares Outstanding- Diluted</b>	<b>4,006,649</b>	<b>1,039,221</b>
<b>Net income per share - basic and diluted</b>		
Net income per share - basic	\$ ( 1.21)	\$ 4.71
Net income per share - diluted	<u>\$ ( 0.93)</u>	<u>\$ 4.16</u>
	<u>For the Three Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<b>Net income</b>	<b>\$ 679,658</b>	<b>\$ 1,303,922</b>
<b>Weighted Average Shares Outstanding-Basic</b>	<b>3,209,597</b>	<b>1,103,161</b>
<b>Weighted Average Shares Outstanding-Diluted</b>	<b>4,141,383</b>	<b>1,224,145</b>
<b>Net income per share - basic and diluted</b>		
Net income per share - basic	\$ 0.21	\$ 1.18
Net income per share - diluted	<u>\$ 0.16</u>	<u>\$ 1.07</u>

### 14. INCOME TAXES

The Enterprise Income Tax Law of the People’s Republic of China (“ PRC tax law”), which was effective on January 1, 2008 and with the latest amended in December 2018, stipulates those domestic enterprises and foreign-invested enterprises are subject to a uniform tax rate of 25 % . Under the PRC tax law, companies are required to make quarterly estimate payments based on 25% tax rate; companies that received preferential tax rates are also required to use a 25% tax rate for their installment tax payments. The overpayment, however, will not be refunded and can only be used to offset future tax liabilities.

The Company evaluates the level of authority for each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measures the unrecognized benefits associated with the tax positions. For the nine months ended September 30, 2023, the Company had no unrecognized tax benefits. Due to uncertainties surrounding future utilization, the Company estimates there will not be sufficient future income to realize the deferred tax assets for certain subsidiaries and a VIE. As of September 30, 2023 and December 31, 2022, the Company had deferred tax assets of \$ 10,964,059 and \$ 7,841,745 , respectively. The Company maintains a full valuation allowance on its net deferred tax assets as of September 30, 2023.

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The Company does not anticipate any significant increase to its liability for unrecognized tax benefit within the next 12 months. The Company will classify interest and penalties related to income tax matters, if any, in income tax expense.

For the nine months ended September 30, 2023 and 2022, the Company had current income tax expenses of \$ 3,444,639 and \$ 3,190,396 , respectively, and deferred income tax benefit of \$ 569,365 and \$ 604,813 in the connection of intangible assets generated from the acquisition of Shenzhen Baiyu Jucheng, respectively.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Interest and penalties related to uncertain tax positions are recognized and recorded as necessary in the provision for income taxes. The Company is subject to income taxes in the PRC. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances, where the underpayment of taxes is more than RMB100,000. In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. There were no uncertain tax positions as of September 30, 2023 and December 31, 2022 and the Company does not believe that its unrecognized tax benefits will change over the next 12 months.

## 15. RELATED PARTY TRANSACTIONS AND BALANCES

### 1) Nature of relationships with related parties

<u>Name</u>	<u>Relationship with the Company</u>
Shenzhen Tongdow International Trade Co., Ltd. ("TD International Trade")	Controlled by an immediate family member of Chief Executive Officer of the Company
Beijing Tongdow E-commerce Co., Ltd. ("Beijing TD")	Wholly owned by Tongdow E-commerce, which is controlled by an immediate family member of Chief Executive Officer of the Company
Shanghai Tongdow Supply Chain Management Co., Ltd. ("Shanghai TD")	Controlled by an immediate family member of Chief Executive Officer of the Company
Guangdong Tongdow Xinyi Cable New Material Co., Ltd. ("Guangdong TD")	Controlled by an immediate family member of Chief Executive Officer of the Company
Yangzhou Lishunwu E-commerce Co., Ltd. (Formerly named: Yangzhou Tongdow E-commerce Co., Ltd.) ("Yangzhou TD")	Controlled by an immediate family member of Chief Executive Officer of the Company
Shenzhen Meifu Capital Co., Ltd. ("Shenzhen Meifu")	Controlled by Chief Executive Officer of the Company
Shenzhen Tiantian Haodian Technology Co., Ltd. ("TTHD")	Wholly owned by Shenzhen Meifu
Hainan Tongdow International Trade Co.,Ltd. ("Hainan TD")	Controlled by an immediate family member of Chief Executive Officer of the Company
Yunfeihu modern logistics Co.,Ltd. ("Yunfeihu Logistics")	Controlled by an immediate family member of Chief Executive Officer of the Company
Shenzhen Tongdow Jingu Investment Holding Co., Ltd. ("Shenzhen Jingu")	Controlled by an immediate family member of Chief Executive Officer of the Company
Tongdow E-commerce Group Co., Ltd. ("TD E-commerce")	Controlled by an immediate family member of Chief Executive Officer of the Company
Katie Ou	Shareholder of the Company

### 2) Balances with related parties

#### - Due to related party

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
TD E-commerce	\$ 37,605,504	\$ 38,767,481
<b>Total due to related party</b>	<b>\$ 37,605,504</b>	<b>\$ 38,767,481</b>

The amount due to related party is non-trade in nature, unsecured, non-interest bearing and are not expected to be repaid in the next 12 months.

	<u>For the Twelve Months Ended</u> <u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Tongdow E-trade Limited	\$ 2,300,000	\$ 6,960,000
<b>Total internal fund transfers</b>	<b>\$ 2,300,000</b>	<b>\$ 6,960,000</b>

In 2021 and 2022, the Company transferred cash in the amount of US\$ 6.96 million and US\$ 2.30 million, respectively, to its PRC subsidiaries through our offshore intermediary holding entities by way of capital contribution.

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## 16. COMMITMENTS AND CONTINGENCIES

### 1) Commitments

a Non-cancellable operating leases

The following table sets forth our contractual obligations as of September 30, 2023:

	Payment due by September 30			
	Total	2024	2025	2026
Operating lease commitments for property management expenses under lease agreement	\$ 12,700	\$ 12,700	\$ -	\$ -

### 2) Contingencies

None.

## 17. Risks and uncertainties

### (1) Credit risk

Assets that potentially subject the Company to a significant concentration of credit risk primarily consist of cash and cash equivalents and trade receivables with its customers. The maximum exposure of such assets to credit risk is their carrying amount as of the balance sheet dates. As of September 30, 2023, approximately \$ 0.10 million was primarily deposited in financial institutions located in Mainland China, which were uninsured by the government authority. To limit exposure to credit risk relating to deposits, the Company primarily place cash deposits with large financial institutions in China, which management believes are of high credit quality. The Company considers the credit standing of customers when making sales to manage the credit risk. Considering the nature of the business at current, the Company believes that the credit risk is not material to its operations.

The Company's operations are carried out in Mainland China. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC as well as by the general state of the PRC's economy. In addition, the Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, rates and methods of taxation, and the extraction of mining resources, among other factors.

### (2) Liquidity risk

The Company is also exposed to liquidity risk which is the risk that it is unable to provide sufficient capital resources and liquidity to meet its commitments and business needs. Liquidity risk is controlled by the application of financial position analysis and monitoring procedures. When necessary, the Company will turn to other financial institutions and the owners to obtain short-term funding to meet the liquidity shortage.

On May 15, 2023, the Company received a notification letter from Nasdaq notifying the Company that the minimum bid price per share for its common shares has been below \$ 1.00 for a period of 30 consecutive business days and the Company therefore no longer meets the minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2).

The notification received has no immediate effect on the listing of the Company's common stock on Nasdaq. Under the Nasdaq Listing Rules, the Company has until November 13, 2023 to regain compliance. If at any time during such 180-day period the closing bid price of the Company's common shares is at least \$ 1.00 for a minimum of 10 consecutive business days, Nasdaq will provide the Company written confirmation of compliance.

### (3) Foreign currency risk

Substantially all of the Company's operating activities and the Company's major assets and liabilities are denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the Peoples' Bank of China ("PBOC") or other authorized financial institutions at exchange rates quoted by PBOC. Approval of foreign currency payments by the PBOC or other regulatory institutions requires submitting a payment application form together with suppliers' invoices and signed contracts.

The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Where there is a significant change in value of RMB, the gains and losses resulting from translation of financial statements of a foreign subsidiary will be significant affected.

Translation of amounts from RMB into US\$ has been made at the following exchange rates for the respective periods:

	September 30,	December 31,
	2023	2022
Balance sheet items, except for equity accounts	7.1798	6.9646
	For the nine months ended	
	September 30,	
	2023	2022
Items in the consolidated statements of operations and comprehensive income (loss), and statements of cash flows	7.0148	6.3504

### (4) Economic and political risks

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic, such as COVID-19, swine flu, avian influenza, severe acute respiratory syndrome, Ebola and Zika; natural disasters, such as earthquakes, snowstorms, storm surges, floods, fires, drought and other extreme weather events and other effects of climate change; or other events, such as wars, acts of terrorism, environmental accidents, power shortages or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our industry and our business and operations, and have a material adverse effect on our business, financial condition and results of operations. For example, these events could cause a temporary closure of the facilities we use for our operations, significantly disrupt supply chains and logistics services or severely impact consumer behaviors and the operations of merchants, business partners and other participants in our ecosystem. Our operations could also be disrupted if any of our employees or employees of our business partners

are suspected of contracting an epidemic disease, since this could require us or our business partners to quarantine some or all of these employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak or any change in policy in response to such event harms the global or PRC economy in general.

In particular, the global outbreak of the COVID-19 pandemic continued to have a significant negative impact on the global economy in fiscal year 2023, which has adversely affected our business and financial results. From early 2020 to early 2023, the COVID-19 pandemic triggered a series of lock-downs, social distancing requirements and travel restrictions that significantly and negatively affected our various businesses in China, particularly our China commerce and local consumer services businesses. Our key international commerce businesses also experienced a negative impact. The COVID-19 pandemic also presented challenges to our business operations as well as the business operations of our merchants, business partners and other participants in our ecosystem, such as closure of offices and facilities, disruptions to or even suspensions of normal business and logistics operations, as well as restrictions on travel. Starting in December 2022, China has lifted most of the COVID-19-induced travel restrictions and quarantine requirements. From late December 2022 to early 2023, certain parts of China experienced COVID-19 resurgence, which caused significant disruption to our business operations in these regions.

It is not possible to determine the impact of the COVID-19 pandemic on our business operations and financial results going forward, which is highly dependent on numerous factors, including the frequency, duration and spread of the outbreaks of the COVID-19 pandemic (including any new variant with different characteristics) in China or elsewhere, actions taken by governments, the response of businesses and individuals to the pandemic, the impact of the pandemic on business and economic conditions in China and globally, consumer demand, our ability and the ability of merchants, retailers, logistics service providers and other participants in our ecosystem to continue operations in areas affected by the pandemic and our efforts and expenditures to support merchants and partners and ensure the safety of our employees. The COVID-19 pandemic may continue to adversely affect our business and results of operations.

#### (5) Risks related to industry

The Company sells precious products to customers through our industrial relationship. Sales contracts are entered into with each individual customer. The Company is the principal under the precious metal direct sales model as the Company controls the products with the ability to direct the use of, and obtain substantially all the remaining benefits from the precious metal products before they are sold to its customers. The Company has a single performance obligation to sell metal products to the buyers. Revenue for precious metal trading under direct sales model is recognized at a point in time when the single performance obligation is satisfied when the products are delivered to the customer. We are under the risk of economic environment in general and specific to the precious metal industry and to China as well as changes to the existing governmental regulations.

Commodity trading in China is subject to seasonal fluctuations, which may cause our revenues to fluctuate from quarter to quarter. We generally experience less user traffic and purchase orders during national holidays in China, particularly during the Chinese New Year holiday season in the first quarter of each year. Consequently, the first quarter of each calendar year generally contributes the smallest portion of our annual revenues. Furthermore, as we are substantially dependent on sales of precious metals, our quarterly revenues and results of operations are likely to be affected by price fluctuation under macroeconomic circumstances these years.

As our revenues have grown rapidly in recent years, these factors are difficult to discern based on our historical results, which, therefore, should not be relied on to predict our future performance. Our financial condition and results of operations for future periods may continue to fluctuate. As a result, the trading price of our stock may fluctuate from time to time due to seasonality.

## 18. SUBSEQUENT EVENTS

On September 29, 2023, the stockholders of the Company approved a form of certificate of amendment of certificate of incorporation (the "**Certificate of Amendment**") on September 18, 2023 to (i) effect a reverse stock split of our issued and outstanding common stock to comply with the Nasdaq's minimum trading price requirement, at a ratio of one-for-twenty to one-for-fifty (with the exact ratio to be set at a whole number within this range as determined by the members of the board of directors (the "**Board**") in its sole discretion, and (ii) change the Company's name to BAIYU Holdings, Inc. (the "**Name Change**"), with the final decision of whether to proceed with the Name Change and the timing for implementing the Name Change to be determined by the Board in its sole discretion.

On October 19, 2023, the Company filed the Certificate of Amendment to effect the Name Change and a reverse stock split at the split ratio of one-for-fifty (the "**Reverse Split**").

As a result of the reverse stock split, every fifty ( 50 ) shares of the Company's pre-split Common Stock were combined into one ( 1 ) share of the Company's post-split Common Stock, without any change in par value per share. No fractional shares were issued in connection with the Reverse Split and all such fractional shares were rounded up to the nearest whole number of shares of Common Stock.

Following the Name Change, any stock certificates that reflect the former name of the Company will continue to be valid. Certificates reflecting the Name Change will be issued in due course as old stock certificates are tendered for exchange or transfer to the Company's transfer agent.

The new CUSIP number of the common stock following the Reverse Split is 87250W301. The Company's Common Stock began trading under its new ticker "BYU" on a Reverse Split-adjusted basis on Nasdaq on October 30, 2023.

The Company has evaluated subsequent events to the date the financial statements were issued and has determined that there are no other items to disclose or require adjustments.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

As of September 30, 2023, the Company had two business lines, which are the commodities trading business and supply chain management services.

#### Commodities trading business

The commodity trading business primarily involves purchasing non-ferrous metal products, such as aluminum ingots, copper, silver, and gold, from metal

and mineral suppliers and then selling to customers. In connection with the Company's commodity sales, in order to help customers to obtain sufficient funds to purchase various metal products and also help upstream metal and mineral suppliers to sell their metal products, the Company launched its supply chain management service in December 2019. The Company primarily generates revenues from selling bulk non-ferrous commodity products and providing related supply chain management services in the PRC.

For the nine months ended September 30, 2023, the Company recorded revenue of \$102,937,623 from commodities trading business and \$64,037 from commodity distribution services and other related services, respectively.

The Company sources bulk commodity products from non-ferrous metal and mines or its designated distributors and then sells to manufacturers that need these metals in large quantities. The Company works with upstream suppliers in the sourcing of commodities. Major suppliers include various metal and mineral suppliers such as Xiamen Huarui Zhongying Trading Co., Ltd., Ningbo Dajian Metal Materials Co., Ltd., Shenzhen Fuying Industrial Co., Ltd. and Qingdao Jikai New Material Technology Co., Ltd. Potential customers include companies such as Hainan Lisheng Supply Chain Management Co., Ltd., Shenzhen Jintongyuan Supply Chain Management Co., Ltd., Shenzhen Fuxinbao Supply Chain Management Co., Ltd. and Shenzhen Jingdexuan Trading Co., Ltd.

#### **Supply Chain Management Services and other related services**

We offer a distribution service to bulk suppliers of precious metals by acting as a sales intermediary, procuring small to medium-sized buyers through our own professional sales team and channels and distributing the bulk precious metals of the suppliers. Upon executing a purchase order from our sourced buyers, we charge the suppliers with a commission fee ranging from 1% to 2% of the distribution order, depending on the size of the order. We also offer some other supply chain management services business. For the nine months ended September 30, 2023, the Company earned other supply chain management services and other related services revenue of \$64,037 with 9 third-party customers, compared with a commodity distribution services revenue of \$1,190,976 to 16 third-party customers for the same period ended September 30, 2022.

#### **Competition**

The Company mainly competes against other large domestic commodity metal product trading service providers such as Xiamen International Trade and Yijian Shares. Currently, the principal competitive factors in the non-ferrous metals commodities trading business are price, product availability, quantity, service, and financing terms for purchases and sales of commodities.

#### **Applicable Government Regulations**

Shenzhen Baiyu Jucheng has obtained all material approvals, permits, licenses and certificates required for our metal product trading operations, including registrations from the local business and administrative department authorizing the purchase of raw materials.

#### **Key Factors Affecting Our Results of Operation**

The commodities trading industry has been experiencing decreasing demand as a result of China's overall economic slowdown. We expect competition in the commodities trading business to persist and intensify.

We have a limited operating history, having just started our commodities trading business in late November 2019. We believe our future success depends on our ability to significantly increase sales as well as maintain profitability from our operations. Our limited operating history makes it difficult to evaluate our business and future prospects. You should consider our future prospects in light of the risks and challenges encountered by a company with a limited operating history in an emerging and rapidly evolving industry. These risks and challenges include, among other things,

- our ability to continue our growth as well as maintain profitability;
- preservation of our competitive position in the commodities trading industry in China;
- our ability to implement our strategies and make timely and effective responses to competition and changes in customer preferences; and
- recruitment, training and retaining of qualified managerial and other personnel.

Our business requires a significant amount of capital in large part due to our need to purchase a bulk volume of commodities and expand our business in existing markets and to additional markets where we currently do not have operations.

#### **Results of Operations**

##### **Three Months Ended September 30, 2023 as Compared to Three Months Ended September 30, 2022**

	For the Three Months Ended September 30,		Change	
	2023	2022	Amount	%
<b>Revenues</b>				
- Sales of commodity products – third parties	\$ 33,883,096	\$ 37,847,831	\$ (3,964,735)	(10)%
- Supply chain management services – third parties	28,630	40,724	(12,094)	(30)%
<b>Total revenue</b>	<b>33,911,726</b>	<b>37,888,555</b>	<b>(3,976,829)</b>	<b>(10)%</b>
<b>Cost of revenue</b>				
- Commodity product sales – third parties	(33,916,806)	(38,008,016)	4,091,210	(11)%
- Supply chain management services – third parties	(18,157)	(321)	(17,836)	(5556)%
<b>Total cost of revenue</b>	<b>(33,934,963)</b>	<b>(38,008,337)</b>	<b>4,073,374</b>	<b>(11)%</b>
<b>Gross profit(loss)</b>	<b>(23,237)</b>	<b>(119,782)</b>	<b>96,545</b>	<b>(81)%</b>
<b>Operating expenses</b>				
Selling, general, and administrative expenses	(3,034,313)	(1,951,604)	(1,082,709)	55%
<b>Total operating cost and expenses</b>	<b>(3,034,313)</b>	<b>(1,951,604)</b>	<b>(1,082,709)</b>	<b>55%</b>
<b>Other income, net</b>				

Interest income	5,124,728	4,659,595	465,133	10%
Interest expenses	(129,716)	(149,308)	19,592	(13)%
Amortization of beneficial conversion feature relating to issuance of convertible promissory notes	(228,250)	(365,125)	136,875	(37)%
Other income, net	8,227	104,961	(96,734)	(92)%
<b>Total other income, net</b>	<b>4,774,989</b>	<b>4,250,123</b>	<b>524,866</b>	<b>12%</b>
<b>Net income before income taxes</b>	<b>1,717,439</b>	<b>2,178,737</b>	<b>(461,298)</b>	<b>(21)%</b>
Income tax expenses	(1,037,781)	(874,815)	(162,966)	19%
<b>Net income</b>	<b>\$ 679,658</b>	<b>\$ 1,303,922</b>	<b>\$ (624,264)</b>	<b>(48)%</b>

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## Revenue

For the three months ended September 30, 2023, we generate revenue from two sources, including (1) revenue from sales of commodity products, and (2) revenue from supply chain management services. Total revenue decreased by \$3,976,829 or 10%, from \$37,888,555 for the three months ended September 30, 2022 to \$33,991,726 for the three months ended September 30, 2023, among which revenue from commodity trading and supply chain management accounted for 99.9% and 0.1% of our total revenue for the three months ended September 30, 2023. For the three months ended September 30, 2022, revenue from commodity trading and supply chain management accounted for 99.9% and 0.1% of our total revenue for the three months ended September 30, 2022.

### (1) Revenue from sales of commodity products

For the three months ended September 30, 2023 and 2022, the Company sold non-ferrous metals to 19 customers at fixed prices, and earned revenues when the product ownership was transferred to its customers. The Company earned revenues of \$33,883,096 from sales of commodity products for the three months ended September 30, 2023 compared with \$37,847,831 generated from sales of commodity products for the same period in 2022.

### (2) Revenue from supply chain management services and other related services

In connection with the Company's commodity sales, in order to help customers to obtain sufficient funds to purchase various metal products and also help metal and mineral suppliers sell their metal products, the Company launched its supply chain management service business in December 2019, which primarily consisted of loan recommendation services and commodity distribution services. For the three months ended September 30, 2023, the Company provided \$28,630 commodity distribution services and other related services to third-party customers compared with \$40,724 to the third-party customers for the same period ended September 30, 2022.

## Cost of revenue

Our cost of revenue primarily includes cost of revenue associated with commodity product sales and cost of revenue associated with management services of supply chain. Total cost of revenue decreased by \$ 4,073,374 or 11% from \$38,008,337 for the three months ended September 30, 2022 to \$33,934,963 for the three months ended September 30, 2023, primarily due to a decrease of \$4,091,210 in cost of revenue associated with commodity product sales from the third-party. The decreased cost of revenue is in line with the decrease in revenue.

### Cost of revenue associated with commodity trading

Cost of revenue primarily consists of purchase costs of non-ferrous metal products. For the three months ended September 30, 2023, the Company purchased non-ferrous metal products of \$33,916,806 from 11 third-party vendors compared with \$38,008,016 from 15 third-party vendors for the three months ended September 30, 2022.

## Selling, general, and administrative expenses

Selling, general and administrative expenses increased from \$1,951,604 for the three months ended September 30, 2022 to \$3,034,313 for the three months ended September 30, 2023, representing an increase of \$1,082,709 or 55%. Selling, general and administrative expenses primarily consisted of salary and employee benefits, office rental expense, amortizations of intangible assets and convertible promissory notes, professional service fees and finance offering related fees. The increase was mainly attributable to amortizations of intangible assets' increased by \$1.01 million.

## Interest income

Interest income was primarily generated from loans made to third parties and related parties. For the three months ended September 30, 2023, interest income was \$5,124,728, representing an increase of \$465,133, or 10% from \$4,659,595 for the three months ended September 30, 2022. The increase was full due to loans made to third-party vendors for the three months ended September 30, 2023.

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## Amortization of beneficial conversion feature and relative fair value of warrants relating to issuance of convertible promissory notes

For the three months ended September 30, 2023, the item represented the amortization of beneficial conversion feature of \$228,250 relating to the convertible promissory notes.

For the three months ended September 30, 2022, the item represented the amortization of beneficial conversion feature of \$365,125 relating to the convertible promissory notes.

## Net income

As a result of the foregoing, net income for the three months ended September 30, 2023 was \$679,658, representing a decrease of \$624,264 from net income of \$1,303,922 for the three months ended September 30, 2022.

Nine Months Ended September 30, 2023 as Compared to nine Months Ended September 30, 2022

	For the Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
<b>Revenues</b>				
- Sales of commodity products – third parties	\$ 102,937,623	\$ 138,540,090	\$ (35,602,467)	(26)%
- Supply chain management services – third parties	64,037	1,190,976	(1,126,939)	(95)%
<b>Total revenue</b>	<b>103,001,660</b>	<b>139,731,066</b>	<b>(36,729,406)</b>	<b>(26)%</b>
<b>Cost of revenue</b>				
- Commodity product sales – third parties	(103,107,066)	(138,848,770)	35,741,704	(26)%
- Supply chain management services – third parties	(41,540)	(6,011)	(35,529)	591%
<b>Total cost of revenue</b>	<b>(103,148,606)</b>	<b>(138,854,781)</b>	<b>35,706,175</b>	<b>(26)%</b>
<b>Gross profit(loss)</b>	<b>(146,946)</b>	<b>876,285</b>	<b>(1,023,231)</b>	<b>(117)%</b>
<b>Operating expenses</b>				
Selling, general, and administrative expenses	(14,108,225)	(6,075,090)	(8,033,135)	132%
<b>Total operating cost and expenses</b>	<b>(14,108,225)</b>	<b>(6,075,090)</b>	<b>(8,033,135)</b>	<b>132%</b>
<b>Other income (expenses), net</b>				
Interest income	14,482,016	13,416,254	1,065,762	8%
Interest expenses	(352,938)	(388,750)	35,812	(9)%
Amortization of beneficial conversion feature relating to issuance of convertible promissory notes	(713,292)	(898,783)	185,491	(21)%
Other income (expense), net	7,130	(21,283)	28,413	(134)%
<b>Total other income, net</b>	<b>13,422,916</b>	<b>12,107,438</b>	<b>1,315,478</b>	<b>11%</b>
<b>Net income(loss) before income taxes</b>	<b>(832,255)</b>	<b>6,908,633</b>	<b>(7,740,888)</b>	<b>(112)%</b>
Income tax expenses	(2,875,040)	(2,585,583)	(289,457)	11%
<b>Net income(loss)</b>	<b>\$ (3,707,295)</b>	<b>\$ 4,323,050</b>	<b>\$ (8,030,345)</b>	<b>(186)%</b>

**Revenue**

For the nine months ended September 30, 2023, we generate revenue from the following two sources, including (1) revenue from sales of commodity products and (2) revenue from supply chain management services. Total revenue decreased by \$36,729,406 or 26%, from \$139,731,066 for the nine months ended September 30, 2022 to \$103,001,660 for the nine months ended September 30, 2023, among which revenue from commodity trading and supply chain management accounted for 99.9% and 0.1%, respectively, of our total revenue for the nine months ended September 30, 2023. The decrease of revenue from sales of commodity products is mainly due to COVID-19, as well as the depreciation of RMB against USD for the nine months ended September 30, 2023 compared with the nine months ended September 30, 2022. The extent to which COVID-19 affects our future results will depend on many factors and future developments, including new information about COVID-19 and any new government regulations which may emerge to contain the virus, among others.

(1) Revenue from sales of commodity products

For the nine months ended September 30, 2023, the Company sold non-ferrous metals to 19 third-party customers at fixed prices, and earned revenues when the product ownership was transferred to its customers. The Company earned revenues of \$102,937,623 from sales of commodity products compared with \$138,540,090 for the same period in 2022.

(2) Revenue from supply chain management services and other related services

In connection with the Company's commodity sales, in order to help customers to obtain sufficient funds to purchase various metal products and also help metal and mineral suppliers sell their metal products, the Company launched its supply chain management service business in December 2019, which primarily consisted of loan recommendation services and commodity distribution services.

*Commodity distribution service fees*

The Company utilizes its strong sales and marketing expertise and customer network to introduce customers to large metal and mineral suppliers, and facilitate the metal product sales between the suppliers and the customers. The Company merely acts as an agent in this type of transaction and earns a commission fee based on the percentage of the volume of metal products that customers purchase. Commodity distribution service fees are recognized as revenue when the Company successfully facilitates the sales transactions between the suppliers and the customers. For the nine months ended September 30, 2023, the Company earned commodity distribution commission fees and other related services of \$64,037 from 9 third-party vendors compared with commission fees of \$1,190,976 from 16 third-party vendors for the nine months ended September 30, 2022.

**Cost of revenue**

Our cost of revenue primarily includes cost of revenue associated with commodity product sales, cost of revenue associated with management services of supply chain. Total cost of revenue decreased by \$35,706,175 or 26% from \$138,854,781 for the nine months ended September 30, 2022 to \$103,148,606 for the nine months ended September 30, 2023, primarily due to an decrease of \$35,741,704 in cost of revenue associated with commodity product sales. The cost of revenue decreased in line with the decrease in sales volume.

Cost of revenue associated with commodity trading

Cost of revenue primarily consists of purchase costs of non-ferrous metal products.

For the nine months ended September 30, 2023, the Company purchased non-ferrous metal products of \$103,107,066 from 11 third-party vendors.

For the nine months ended September 30, 2022, the Company purchased non-ferrous metal products of \$138,848,770 from 15 third-party vendors.

### Selling, general, and administrative expenses

Selling, general and administrative expenses increased from \$6,075,090 for the nine months ended September 30, 2022 to \$14,108,225 for the nine months ended September 30, 2023, representing an increase of \$8,033,135, or 132%. Selling, general and administrative expenses primarily consisted of salary and employee benefits, office rental expense, amortizations of intangible assets and convertible promissory notes, professional service fees and finance offering related fees. The increase was mainly attributable to amortizations of intangible assets' increase by \$3.06 million.

### Interest income

Interest income was primarily generated from loans made to third parties and related parties. For the nine months ended September 30, 2023, interest income was \$14,482,016 representing an increase of \$1,065,762, or 8% from \$13,416,254 for the nine months ended September 30, 2022. There is no big difference between interest income for the nine months ended September 30, 2023 and for the nine months ended September 30, 2022.

### Amortization of beneficial conversion feature and relative fair value of warrants relating to issuance of convertible promissory notes

For the nine months ended September 30, 2023, the item represented the amortization of beneficial conversion feature of \$713,292 relating to the convertible promissory notes.

For the nine months ended September 30, 2022, the item represented the amortization of beneficial conversion feature of \$898,783 relating to the convertible promissory notes.

### Net income(loss)

As a result of the foregoing, net loss for the nine months ended September 30, 2023 was \$3,707,295, representing a decrease of \$8,030,345 from net income of \$4,323,050 for the nine months ended September 30, 2022.

### Cash Flows and Capital Resources

We have financed our operations primarily through shareholder contributions, cash flow from operations, borrowings from third parties and related parties, and equity financing through private placement and public offerings of our securities.

As reflected in the accompanying unaudited condensed consolidated financial statements, the Company incurred net loss of \$3,707,295 and cash inflow of \$1,053,820 for the nine months ended September 30, 2023. As of September 30, 2023, the Company positive working capital of \$192 million.

During the nine months ended September 30, 2023, the cash provided by financing activities was mainly attributable to cash raised of \$42,350,000 from certain private placements by the issuance of 35,000,000 shares of common stock, cash raised of \$559,073 from a registered direct offering by the issuance of 689,306 shares of common stocks, cash raised of \$3,000,000 from the issuance of unsecured senior convertible promissory notes in the aggregate principal amount of \$3,320,000, cash raised of \$9,800,000 from certain private placements by the issuance of 28,000,000 shares of common stock.

The Company expects to use the proceeds from the equity financing as working capital to expand its commodity trading business.

Based on the foregoing capital market activities, the management believes that the Company will continue as a going concern in the following 12 months.

### Statement of Cash Flows

The following table sets forth a summary of our cash flows. For the nine months ended September 30, 2023 and 2022, respectively:

	For the nine months Ended September 30,	
	2023	2022
Net Cash Provided by Operating Activities	\$ 1,053,819	\$ 3,604,608
Net Cash Used in Investing Activities	(64,651,465)	(63,248,744)
Net Cash Provided by Financing Activities	56,004,311	59,889,728
Effect of exchange rate changes on cash and cash equivalents	8,140,537	(1,872,016)
Net increase/(decrease) in cash and cash equivalents	547,202	(1,626,424)
Cash at the beginning of period	893,057	4,311,068
Cash at the end of period	\$ 1,440,259	\$ 2,684,644

### Net Cash Provided by Operating Activities

During the nine months ended September 30, 2023, we had a cash inflow from operating activities of \$1,053,819, an decrease of \$2,550,789 from a cash inflow of \$3,604,608 for the nine months ended September 30, 2022. We incurred a net loss for the nine months ended September 30, 2023 of \$3,707,295, an decrease of \$8,030,345 from the nine months ended September 30, 2022, during which we recorded a net income of \$4,323,050.

In addition to the change in profitability, the decrease in net cash used in operating activities was the result of several factors, including (1) non-cash effects adjustments include amortization of intangible assets of \$6,002,628 and amortization of discount on convertible promissory notes of \$200,000, amortization of beneficial conversion feature of convertible promissory notes of \$713,292 and interest expenses for convertible promissory notes of \$245,506.

### Net Cash Used in Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2023 was \$64,651,466 as compared to net cash used in investing activities of \$63,248,744 from continuing operations for the nine months ended September 30, 2022.

The cash used in investing activities for the nine months ended September 30, 2023 was for the loans disbursed to third parties of \$122,971,023, collected loans from third parties of \$58,413,241.

### Net Cash Provided by Financing Activities

During the nine months ended September 30, 2023, the cash provided by financing activities was mainly attributable to cash raised of \$42,350,000 from certain private placements by the issuance of 35,000,000 shares of common stocks, cash raised of \$559,073 from a registered direct offering by the issuance of 689,306 shares of common stocks, cash raised of \$3,000,000 from issuance of unsecured senior convertible promissory notes in the aggregate principal amount of \$3,320,000, cash raised of \$9,800,000 from certain private placements by the issuance of 28,000,000 shares of common stock.

During the nine months ended September 30, 2022, the cash provided by financing activities was mainly attributable to cash raised of \$45,500,000 from certain private placements by the issuance of 13,000,000 shares of common stocks, cash raised of \$11,420,000 from certain private placements by the issuance of 11,420,000 shares of common stocks and cash raised of \$3,000,000 from issuance of unsecured senior convertible promissory notes.

### Off-balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2023.

### Contractual Obligations

As of September 30, 2023, the Company had one lease arrangement with one unrelated third-party with a monthly rental fee of approximately \$10,813. Lease term were within 38 months, which will be due in December 2024. As of the date of this report, the Company cannot reasonably assess whether it will renew the lease term. The lease commitment was as following table:

	Total	Less than 1 year	1-2 years	Thereafter
Contractual obligations:				
Operating lease	\$ 111,389	\$ 95,476	\$ 15,913	\$ -
Total	<u>\$ 111,389</u>	<u>\$ 95,476</u>	<u>\$ 15,913</u>	<u>\$ -</u>

### Critical Accounting Policies

Please refer to Note 2 of the Condensed Consolidated Financial Statements included in this Form 10-Q for details of our critical accounting policies.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were not effective as of September 30, 2023.

Certain personnel primarily responsible for preparing our financial statements require additional requisite levels of knowledge, experience and training in the application of U.S. GAAP commensurate with our financial reporting requirements. The management thought that in light of the inexperience of our accounting staff with respect to the requirements of U.S. GAAP-based reporting and SEC rules and regulations, we did not maintain effective controls and did not implement adequate and proper supervisory review to ensure that significant internal control deficiencies can be detected or prevented.

Management's assessment of the control deficiency over accounting and finance personnel as of September 30, 2023 includes:

- There is a lack of formal procedures for handling different types of revenue recognition.
- There is a lack of procedures and documentation for dealing with related parties.
- There was no accountant with adequate U.S. GAAP knowledge working in the Company's Accounting Department.
- The Company has insufficient written policies and procedures for accounting and financial reporting, which led to an inadequate financial statement closing process.

Based on the above factors, management concluded that the control deficiency over accounting and finance personnel was the material weakness as of September 30, 2023, as our accounting staff continues to lack sufficient U.S. GAAP experience and requires further substantial training.

Limitations on the Effectiveness of Disclosure Controls. Readers are cautioned that our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls is also based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any control design will succeed in achieving its stated goals under all potential future conditions.

### Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2023, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act that have materially affected,

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

None.

### ITEM 1A. RISK FACTORS

As of the date of this Quarterly Report, except for certain additional risk factors disclosed on our Quarterly Report on Form 10-Q filed with the SEC on August 11, 2023, there have been no material changes to the risk factors disclosed in our annual report on Form 10-K filed with the SEC on March 10, 2023. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### Common stock issued pursuant to the conversion of convertible promissory notes

The Company settled convertible promissory notes issued on October 4, 2021 of \$125,000 on December 30, 2022, \$125,000 on January 10, 2023, \$125,000 on January 18, 2023, \$250,000 on February 2, 2023, \$250,000 on March 2, 2023, \$250,000 on April 5, 2023, and \$102,214.66 on June 20, 2023 respectively, and issued 148,399, 147,824, 147,475, 292,987, 279,567, 357,142, and 208,976 shares of the Company's common stock on January 6, 2023, January 12, 2023, January 18, 2023, February 3, 2023, March 2, 2023, on April 10, 2023, and June 21, 2023 respectively for the nine months ended September 30, 2023.

The Company settled convertible promissory notes issued on May 6, 2022 of \$200,000 on January 18, 2023, \$200,000 on February 3, 2023, \$175,000 on February 8, 2023, \$250,000 on February 15, 2023, \$250,000 on March 8, 2023, \$125,000 on March 24, 2023, and \$150,000 on September 14, 2023, respectively, and issued 235,960, 234,389, 205,090, 292,987, 279,567, 145,660 and 1,153,846 shares of the Company's common stock on January 19, 2023, February 6, 2023, February 8, 2023, February 15, 2023, March 15, 2023, March 29, 2023, and September 15, 2023, respectively for the nine months ended September 30, 2023.

The Company settled convertible promissory notes issued on March 13, 2023 of \$300,000 on September 7, and issued 2,091,466 shares of the Company's common stock on September 12, 2023, for the nine months ended September 30, 2023.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.

### ITEM 6. EXHIBITS

<b>Exhibit No.</b>	<b>Description</b>
3.1*	<a href="#">Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.1 of the draft registration statement on Form DRS filed on February 14, 2013)</a>
3.2*	<a href="#">Bylaws of Registrant (incorporated by reference to Exhibit 3.2 of the draft registration statement on Form DRS filed on February 14, 2013)</a>
3.3*	<a href="#">Articles of Association of Wujiang Luxiang Rural Microcredit Co. Ltd. (incorporated by reference to Exhibit 3.3 of the registration statement on Form S-1/A filed on June 27, 2013)</a>
3.4*	<a href="#">Certificate of Approval of Wujiang Luxiang Rural Microcredit Co. Ltd. (incorporated by reference to Exhibit 3.4 of the registration statement on Form S-1 filed on June 7, 2013)</a>
3.5*	<a href="#">Certificate of Amendment of the Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.5 of the registration statement on Form S-1/A filed on July 16, 2013)</a>
3.6*	<a href="#">Certificate of Amendment to the Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on January 16, 2019)</a>
3.7*	<a href="#">Certificate of Amendment to the Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on June 7, 2019</a>
3.8*	<a href="#">Certificate of Amendment to the Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on March 12, 2020</a>
3.9*	<a href="#">Certificate of Amendment to Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on April 21, 2021</a>
3.10*	<a href="#">Certificate of Amendment to Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on August 17, 2022</a>
3.11*	<a href="#">Certificate of Amendment to the Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on October 20, 2023)</a>
31.1**	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934</a>
31.2**	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934</a>

32.1**	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Previously filed

\*\* Filed herewith

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 14, 2023

#### BAIYU HOLDINGS, INC.

By: /s/ Renmei Ouyang  
Name: Renmei Ouyang  
Title: Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Wenhao Cui  
Name: Wenhao Cui  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Renmei Ouyang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 of BAIYU Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

By: /s/ Renmei Ouyang  
Renmei Ouyang  
Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wenhao Cui, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 of BAIYU Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

By: /s/ Wenhao Cui  
Wenhao Cui  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO  
SECTION 906 OF SARBANES-OXLEY ACT OF 2002

I, Renmei Ouyang, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of BAIYU Holdings, Inc. (the "Company") for the period ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023

By: /s/ Renmei Ouyang  
Renmei Ouyang  
Chief Executive Officer  
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.

CERTIFICATION PURSUANT TO  
SECTION 906 OF SARBANES-OXLEY ACT OF 2002

I, Wenhao Cui, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of BAIYU Holdings, Inc. (the "Company") for the period ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023

By: /s/ Wenhao Cui

Wenhao Cui  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.