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Yunhong Guixin Group Holdings Limited
運鴻硅鑫集團控股有限公司

(formerly known as MEIGU Technology Holding Group Limited 美固科技控股集團有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8349)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the emerging nature of companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the board (the "**Board**") of directors (the "**Directors**") of Yunhong Guixin Group Holdings Limited (the "**Company**") collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement herein or this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

RESULTS

The Board presents the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	**2021** **_RMB'000_**	2020 *RMB'000*
Revenue	*4*	**78,624**	97,608
Cost of sales		**(57,602)**	(65,121)
Gross profit		**21,022**	32,487
Other revenue and other income	*5*	**304**	274
Other net loss	*5*	**(327)**	(1,182)
Fair value gain on investment property	*10*	**100**	–
Impairment losses on contract assets and trade and other receivables	*7(c)*	**(659)**	(1,512)
Distribution costs		**(4,336)**	(4,166)
Administrative expenses		**(14,864)**	(15,839)
Profit from operations		**1,240**	10,062
Finance costs	*7(a)*	**(294)**	(306)
Profit before taxation	*7*	**946**	9,756
Income tax	*8(a)*	**(2,989)**	(4,207)
(Loss)/profit for the year		**(2,043)**	5,549
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment and right-of-use-asset on transfer to investment property, net of tax of RMB3,711,000 (2020: Nil)		**11,132**	–
Total comprehensive income for the year		**9,089**	5,549
		RMB cents	*RMB cents*
(Loss)/earnings per share			
Basic and diluted	*9*	**(0.51)**	1.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**5,993**	13,859
Investment property	*10*	**29,000**	–
Right-of-use asset		**320**	1,360
Deferred tax assets		**1,760**	1,107
		37,073	16,326
Current assets			
Inventories		**12,305**	8,173
Property held for sale		**1,468**	1,468
Contract assets	*11*	**1,648**	1,377
Trade and other receivables	*12*	**46,865**	49,753
Pledged bank deposits		**3,000**	4,000
Cash and cash equivalents		**8,220**	16,545
		73,506	81,316
Current liabilities			
Trade and other payables	*13*	**29,853**	25,890
Bank borrowings	*14*	**–**	5,000
Lease liabilities		**171**	–
Income tax payable		**1,888**	2,818
		31,912	33,708
Net current assets		**41,594**	47,608
Total assets less current liabilities		**78,667**	63,934
Non-current liabilities			
Lease liabilities		**150**	–
Deferred tax liabilities		**10,271**	4,844
		10,421	4,844
NET ASSETS		**68,246**	59,090
CAPITAL AND RESERVES			
Share capital		**3,600**	3,600
Reserves		**64,646**	55,490
TOTAL EQUITY		**68,246**	59,090

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Reserves							
	Share capital	Share premium	Capital reserve	Property revaluation reserve	Share-based payment services	Statutory reserve	Retained profits	Sub-total	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	3,600	20,900	9,557	–	1,533	5,327	12,224	49,541	53,141
Profit and total comprehensive income for the year	–	–	–	–	–	–	5,549	5,549	5,549
Equity-settled share-based payments	–	–	–	–	400	–	–	400	400
Transfer to statutory reserve	–	–	–	–	–	1,080	(1,080)	–	–
At 31 December 2020	3,600	20,900	9,557	–	1,933	6,407	16,693	55,490	59,090
At 1 January 2021	**3,600**	**20,900**	**9,557**	**-**	**1,933**	**6,407**	**16,693**	**55,490**	**59,090**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(2,043)**	**(2,043)**	**(2,043)**
Other comprehensive income for the year	**-**	**-**	**-**	**11,132**	**-**	**-**	**-**	**11,132**	**11,132**
Total comprehensive income for the year	**-**	**-**	**-**	**11,132**	**-**	**-**	**(2,043)**	**9,089**	**9,089**
Equity-settled share-based payments	**-**	**-**	**-**	**-**	**67**	**-**	**-**	**67**	**67**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**1,880**	**(1,880)**	**-**	**-**
Lapse of share-based payment arrangements	**-**	**-**	**-**	**-**	**(2,000)**	**-**	**2,000**	**-**	**-**
At 31 December 2021	**3,600**	**20,900**	**9,557**	**11,132**	**-**	**8,287**	**14,770**	**64,646**	**68,246**

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares have been listed on the GEM of the Stock Exchange since 13 January 2017. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, the Cayman Islands and its principal place of business is 66 South Oujiang Road, Haimen Economic Development Zone, Nantong City, the Jiangsu Province, the People's Republic of China (the "**PRC**").

The Company is an investment holding company and its subsidiaries are principally engaged in the research and development, production and sales of fibreglass reinforced plastic products in the PRC. During the reporting period, the principal business was carried out through Nantong Meigu Composite Materials Company Limited ("**Nantong Meigu**"), which is an indirect wholly-owned subsidiary of the Company incorporated in the PRC.

2. BASIS OF PREPRATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), the collective term of which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

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

The Group has not applied any new standard, amendments or interpretations that is not yet effective for the current accounting period.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Renminbi ("**RMB**") is the functional currency of all entities of the Group. The consolidated financial statements are presented in RMB and the figures are rounded to the nearest thousand of RMB ("**RMB'000**"), except for per share data, because the management evaluates the performance of the Group based on RMB.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the investment property, representing interests in leasehold land and building held as investment property is stated at their fair value.

Non-current assets held for sales are stated at the lower of carrying amount and fair value less costs to sell.

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

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

(c) Changes in accounting policies

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. **REVENUE**

The principal activities of the Group are research and development, production and sale of fiberglass reinforced plastic products in the PRC.

Revenue represents net invoiced value of goods sold, less value-added taxes, returns and discounts, during the year.

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of fiberglass reinforced plastic products		
– fiberglass reinforced plastic grating	**41,188**	45,562
– phenolic grating	**160**	250
– epoxy wedge strip	**37,276**	51,796
	78,624	97,608
Timing of revenue recognition		
At a point in time	**78,624**	97,608

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 6(a).

5. OTHER REVENUE, OTHER NET INCOME AND OTHER NET LOSS

	2021	2020
	RMB'000	*RMB'000*
Other revenue		
Interest income on bank deposits	**15**	28
Rental income from investment property	**80**	–
	95	28
Other income		
Government grants and other subsidies	**187**	238
Others	**22**	8
	209	246
	304	274
Other net loss		
Net foreign exchange loss	**(327)**	(1,182)

6. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Company's directors for the purposes of resource allocation and performance assessment, no segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the research and development, production and sales of fiberglass reinforced plastic products in the PRC.

(a) Geographic information

The following is an analysis of geographical location of the Group's revenue from external customers. The geographical location of customers refers to the location at which the goods were delivered.

	2021	2020
	RMB'000	*RMB'000*
Local customers		
The PRC (excluding Hong Kong) (place of domicile)	**51,675**	64,434
Foreign customers		
The United States of America	**12,522**	14,968
The United Kingdom	**8,174**	11,661
Belgium	**1,036**	1,965
France	**1,258**	356
Canada	**112**	393
Germany	**41**	141
Hong Kong	**–**	173
Denmark	**3,078**	2,583
South Korea	**10**	10
Others	**718**	924
	26,949	33,174
	78,624	97,608

The geographical locations of property, plant and equipment and investment property are based on the physical location of the asset under consideration. During the reporting periods, all property, plant and equipment and investment property were located in the PRC and right-of-use asset was located in Hong Kong (2020: all property, plant and equipment and leasehold land were located in the PRC).

(b) Information about major customers

Revenue from external customers contributing 10% or more of the total revenue of the Group is as follows:

	2021	2020
	RMB'000	*RMB'000*
Customer A	**19,863**	30,357
Customer B (note)	**10,946**	N/A

Note: Revenue from customer B did not contribute 10% or more of the total revenue of the Group during the year ended 31 December 2020.

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	2021	2020
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank borrowings	**292**	306
Interest on lease liabilities	**2**	–
	294	306
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**13,014**	12,484
Contributions to defined contribution retirement plans	**1,024**	506
Equity-settled share-based payments	**67**	400
	14,105	13,390
(c) Other items		
Amortisation for a right-of-use asset	**64**	38
Impairment losses on contract assets and trade and other receivables *(note 12(b))*		
– contract assets	**15**	41
– trade and bills receivables	**259**	1,385
– other receivables	**385**	86
	659	1,512
Depreciation of property, plant and equipment	**1,839**	2,723
Write-down of inventories	**1,648**	16
Write-down of property, plant and equipment	**35**	–
Cost of inventories recognised as expense *(note (i))*	**60,863**	66,609
Auditor's remuneration:		
– auditor of the Company	**807**	758
– other auditors *(note (ii))*	**24**	59
Research and development costs *(note (iii))*	**4,834**	6,000

Notes:

(i) Cost of inventories recognised as expenses include RMB5,552,000 (2020: RMB5,522,000) relating to staff costs, RMB1,166,000 (2020: RMB1,517,000) relating to depreciation of property, plant and equipment, RMB3,213,000 (2020: RMB4,360,000) relating to research and development cost and RMB1,648,000 (2020: RMB16,000) relating to write-down of inventories, for the year ended 31 December 2021, the amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) The amounts represent remunerations paid to other auditors of Nantong Meigu for statutory audit service.

(iii) Included in research and development costs are staff cost of RMB1,454,000 (2020: RMB1,453,000) and costs of materials consumed of RMB3,213,000 (2020: RMB4,360,000), the amounts of which are also included in the total amount separately disclosed for each of these types of expenses.

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax recognised in profit or loss:

	2021	2020
	RMB'000	*RMB'000*
Current tax		
The PRC Enterprise Income Tax ("**EIT**") on profits of a PRC subsidiary of the Group		
– current year	**1,893**	3,640
– under-provision in prior years	**32**	45
	1,925	3,685
Deferred tax		
Origination and reversal of temporary differences in respect of		
– provision for impairment losses on contract assets and trade and other receivables	**(165)**	(311)
– write-down of inventories	**(386)**	(3)
– withholding tax on distributable profits of a PRC subsidiary of the Group	**1,692**	836
– fair value gain on investment property	**25**	–
– tax losses arising from the Group's PRC subsidiary	**(102)**	–
	1,064	522
	2,989	4,207

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020, as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years.

The PRC subsidiaries of the Group are subject to the PRC EIT at 25% (2020: 25%). Dividends declared to Prosperous Composite Material Co., Ltd. as a non-resident shareholder, in respect of profits earned by Nantong Meigu, is subject to the PRC withholding tax at 10%.

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

	2021	2020
	RMB'000	*RMB'000*
Profit before taxation	**946**	9,756
Notional tax on profit before taxation attributable to the subsidiaries under the tax jurisdiction of the PRC calculated at 25%	**1,241**	3,044
Notional tax on loss before taxation attributable to the non-PRC entities of the Group under the tax jurisdiction of Hong Kong calculated at 16.5%	**(693)**	(587)
Under-provision in prior years	**32**	45
Tax effect of non-deductible expenses	**1,243**	1,183
Tax effect of temporary difference	**(526)**	(314)
Deferred tax provided for the PRC withholding tax on distributable profits of the Group's PRC subsidiary	**1,692**	836
Actual tax expense	**2,989**	4,207

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for each of the years ended 31 December 2021 and 2020 has been based on the following data:

	2021	2020
	RMB'000	*RMB'000*
(Loss)/earnings for the purpose of basic (loss)/earnings per share		
(Loss)/profit for the year attributable to the owners of the Company	**(2,043)**	5,549
	'000	*'000*
Number of shares		
Number of shares at the beginning and the end of the reporting period and the weighted average number of shares	**400,000**	400,000

Basic loss per share for the year ended 31 December 2021 amounted to RMB0.51 cent (2020: earnings per share of RMB1.39 cent) per share.

No diluted earnings per share was presented as there was no potential ordinary shares outstanding during the years ended 31 December 2021 and 2020.

10. INVESTMENT PROPERTY

	RMB'000
Fair Value	
At 1 January 2021	–
Transfer from property, plant and equipment and right-of-use asset	28,900
Increase in fair value recognised in profit or loss	100
At 31 December 2021	29,000

During the year ended 31 December 2021, an owner property has become an investment property because the Group has rented out the property to an independent third party. Accordingly, the carrying amount of the owner property has been transferred from property, plant and equipment and right-of-use asset to investment property. The fair value at the date of transfer of RMB28,900,000 had been arrived at on the basis of a valuation carried out by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices to similar properties and on the basis of capitalization of the rental income under term and reversion approach. The surplus of the fair value of the owner property over the carrying amount at the date of transfer of RMB14,843,000 and the related deferred tax liabilities of RMB3,711,000 were dealt with in property revaluation reserve.

Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2021	**Fair value measurements as at 31 December 2021 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Group				
Investment property				
– Industrial – PRC	**29,000**	**–**	**–**	**29,000**

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's investment property was revalued at 31 December 2021. The valuation was carried out by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer not connected with the Group, who have recent experience in the location and category of property being valued. The Group's management have discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of the reporting period.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment property – Industrial – PRC	(i) Comparable sales evidences	Sales evidence of comparable properties (adjusted for the difference in the quality and location of the properties)	RMB2,178 to RMB2,760 per square meter
	(ii) Capitalization of the rental income	Risk-adjusted discount rate (i.e. market rental yield)	5.6% to 6.1%
		Expected occupancy rate	100%

The fair value of investment property located in the PRC is determined by (i) direct comparison method with reference to the sales evidence of comparable properties (adjusted for difference in the quality and location of the properties) or where appropriate, (ii) discounting a projected cash flow forecast associated with the properties using risk-adjusted discount rate which is the market rental yield for the property. The valuation takes into account the land expiry date and occupancy rate of the respective property. The discount rate used has been adjusted for the quality and location of the building and the tenant credit quality. The fair value measurement is positively correlated to the sales price of comparable properties, the land expiry date and the occupancy rate, and negatively correlated to the risk-adjusted discount rate.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

Investment property – Industrial – PRC

	2021	2020
	RMB'000	*RMB'000*
At 1 January	**–**	–
Transfer from property, plant and equipment and right-of-use asset	**28,900**	–
Net gain from fair value adjustment on investment property recognised in profit or loss	**100**	–
At 31 December	**29,000**	–

The Group leased out investment property under operating leases. The lease runs for a period for five years. The lease does not include contingent rentals.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**1,991**	–
After 1 year but within 5 years	**7,646**	–
	9,637	–

11. CONTRACT ASSETS

	2021	2020
	RMB'000	*RMB'000*
Contract assets		
Retention monies receivables	**1,704**	1,418
Less: allowance for lifetime expected credit losses	**(56)**	(41)
	1,648	1,377
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (note 12)	**46,133**	46,028

Note:

(i) The contract assets primarily relate to the Group's rights to consideration for goods transferred by the Group to the customers for which the rights to consideration are still conditional upon the customers' satisfaction on the quality of the goods sold which is typically at the expiry date of the assurance-type warranty period, as stipulated in the contracts.

The contract assets are transferred to trade receivables when the rights to consideration become unconditional.

At 31 December 2021 and 2020, included in contract assets were retention monies receivable from the contract customers amounting to RMB1,704,000 and RMB1,418,000 respectively. The terms and conditions for the release of retention monies by the contract customers vary from contract to contract, which are subject to the customers' satisfaction of quality upon the expiry of the assurance-type warranty period. The retention monies receivable from the contract customers generally represent 5% to 10% of the total consideration of the relevant contracts, that are retained by the contract customers as securities for non-performance protection, and the Group's entitlement to payment of retention monies receivable are conditional upon the contract customers' physical inspection of the quality of the goods at the expiry of the assurance-type warranty period. In the opinion of the directors of the Company, the retention monies retained by the contract customers under the contracts are not intended as a financing arrangement by the Group to the contract customers.

(ii) Impairment assessment of the contract assets

Contract assets are related to the retention monies receivables, which have substantially the same characteristics as the trade receivables for the same types of the contract. The Group's contract customers are mainly with high credit rating and their payment history with the Group are considered to be good. There are no material disputes or claims received from the contract customers of the relevant contracts and the Group considered that there has not been a significant change in credit quality of the contract customers. The Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the rates for contract assets. Since the payment is not due, the expected loss rate of contract assets is assessed to be minimal and accordingly, the net carrying amount of contract assets is still considered fully recoverable at the end of each reporting period. The Group does not hold any collateral as security for the contract assets at the end of each reporting period.

As at 31 December 2021, contract assets amounting to RMB56,000 (2020: RMB41,000) were determined to be impaired according to the lifetime expected credit loss rates and impairment loss of RMB15,000 (2020: RMB41,000) was made on contract assets for the year ended 31 December 2021.

12. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**42,845**	48,322
Bills receivables	**7,006**	1,165
	49,851	49,487
Less: allowance for lifetime expected credit losses	**(3,718)**	(3,459)
Trade and bills receivables, net *(notes (a) and (b))*	**46,133**	46,028
Other receivables	**861**	983
Less: allowance for 12-month expected credit lossess	**(471)**	(86)
Financial assets measured at amortised cost	**46,523**	46,925
Prepayments	**342**	2,828
	46,865	49,753

The Group has an unconditional right to all of the trade and other receivables which are expected to be recovered and/or recognised as expenses within one year or repayable on demand.

The Group determines the provision for impairment of trade and bills receivables on a forward looking basis and lifetime expected credit losses are recognised from initial recognition of the assets and remeasured at the end of each reporting period.

The provision matrix is determined based on the Group's historical observed bad debt loss rates over the expected life of the trade and bills receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

Other receivables are considered for 12-month expected credit losses. Provision for 12 month credit losses of RMB385,000 (2020: RMB86,000) on the other receivables was made for the year ended 31 December 2021. There was no significant change in credit risk and the default risk was considered as low for the remaining balance of the other receivables.

In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to meet their obligations.

At the end of each reporting period, the historical observed bad debt loss rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

(a) Ageing analysis

An ageing analysis of trade and bills receivables (net of allowance for lifetime expected credit losses), based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
0 – 30 days	**20,216**	12,780
31 – 90 days	**12,811**	21,640
91 – 180 days	**9,950**	8,828
181 – 365 days	**3,043**	2,420
Over 365 days	**113**	360
	46,133	46,028

The Group generally granted credit terms to its customers ranging from cash on delivery to 180 days after invoice date.

(b) Impairment of contract assets and trade and bills receivables

Impairment loss in respect of contract assets and trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against contract assets and trade and bills receivables directly.

Allowance for lifetime expected credit losses at the end of the reporting period

	2021	2020
	RMB'000	*RMB'000*
– Trade and bills receivables	**3,718**	3,459
– Contract assets *(note 11)*	**56**	41
	3,774	3,500

Movements in the allowance for lifetime expected credit losses

	2021	2020
	RMB'000	*RMB'000*
At 1 January	**3,500**	2,349
Impairment loss recognised *(note 7(c))*		
– contract assets	**15**	41
– trade and bills receivables	**259**	1,385
	274	1,426
Bad debt written off	**–**	(275)
At 31 December	**3,774**	3,500

As at 31 December 2021, contract assets and trade and bills receivables amounting to RMB3,774,000 (2020: RMB3,500,000) were determined to be impaired according to the lifetime expected credit loss rates and adjusted for forward-looking estimates. Accordingly, allowance for lifetime expected credit losses of RMB274,000 (2020: RMB1,426,000) was recognised for the year ended 31 December 2021.

13. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**11,379**	11,600
Bills payables	**4,383**	4,000
Total trade and bills payables	**15,762**	15,600
Amount due to a former shareholder *(note (b))*	**6,012**	–
Amounts due to directors *(note (c))*	**1,846**	–
Amount due to a shareholder *(note (d))*	**661**	4,702
Other payables	**5,572**	5,588
	29,853	25,890

(a) The following is an analysis of trade and bills payables by age based on the invoice date:

	2021 *RMB'000*	2020 *RMB'000*
0 – 30 days	**10,015**	3,882
31 – 90 days	**2,844**	5,613
91 – 180 days	**1,735**	5,443
Over 180 days	**1,168**	662
	15,762	15,600

(b) Amount due to a former shareholder

	2021 *RMB'000*	2020 *RMB'000*
Amount due to Singa Dragon International Ventures Limited	**6,012**	–

The amount due to a former shareholder was unsecured, interest-free and had no fixed repayment term.

(c) Amounts due to directors

	2021 *RMB'000*	2020 *RMB'000*
Amount due to Li Yubao	**286**	–
Amount due to Zhang Yaping	**1,560**	–
	1,846	–

The amounts due to directors were unsecured, interest-free and had no fixed repayment term.

(d) Amount due to a shareholder

	2021 *RMB'000*	2020 *RMB'000*
Amount due to Singa Dragon International Ventures Limited	**–**	4,702
Amount due to Yunhong Group Co., Limited	**661**	–
	661	4,702

The amount due to a shareholder was unsecured, interest-free and had no fixed repayment term.

14. BANK BORROWINGS

The analysis of the carrying amount of bank borrowings is as follows:

	2021	2020
	RMB'000	*RMB'000*
Fixed rate term loans from banks due for repayment within 1 year or repayable on demand		
Secured bank borrowings (note below)	**–**	5,000

Note: As at 31 December 2020, the bank borrowings were secured by buildings and a right-of-use asset of the Group. It was further guaranteed by an independent third party guarantee company in the PRC. The pledge and the guarantee were released during the year ended 31 December 2021 upon settlement of the loan.

15. MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions in the ordinary course of its business during the reporting period:

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors and certain of the highest paid employees and senior management, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Short-term employee benefits	**3,196**	2,613
Post-employment benefits	**116**	12
Equity-settled share-based payments	**67**	400
	3,379	3,025

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

The Group is an established and leading manufacturer in the PRC engaged in the research and development, production and sale of a variety of fiberglass reinforced plastic ("**FRP**") products. The Group's major products consist of: (i) FRP grating products; (ii) phenolic grating products; and (iii) epoxy wedge strip products.

The applications for FRP are quite wide including building and construction field, electrical and telecommunications engineering. As the product is characterized by its light weight, high strength, toughness, anti-slippery, anti-erosion, flame retardant, insulation and easy to colour and artistic properties as well as its good and comprehensive economic benefits, it is widely applied in industries including petrochemical, electrical, marine engineering, plating, vessel, metallurgy, steel, papermaking, brewing and municipal industry and mainly used in operating platform, equipment platform, stair treads, trench covers, filter plates, etc., which indicates that it is an ideal components for corrosive environment.

Given that FRP delivers outstanding performance as a comparatively new type of materials and as a substitute of traditional materials such as wood, concrete and metal, and the potential application of products made of FRP composites in a wide range of fields such as aerospace, energy and transportation industries, the management expects that the overall FRP market in China will grow at a steady pace in the coming years in the light of gradual maturity and better understanding of the FRP market.

The Group continues to enhance product recognition by improving production technology in order to maintain effective cost control and strengthen the competitiveness. Meanwhile, the Group will recruit more talents to fulfill its development and expansion. The Board believes that research and development capabilities are essential to the future growth of the Group. In the year ended 31 December 2021, the Group spent approximately RMB4.8 million (2020: approximately RMB6.0 million) in research and development expenditure for the development of new products and development of new technology solutions to improve the existing FRP products. The Group's research and development is conducted by the in-house technical department, which is led by Mr. Jiang Guitang, a former executive Director of the Company. Mr. Jiang has accumulated over 30 years of industrial experience in the composite material industry. Under the leadership of Mr. Jiang, the Group will further enhance the research and development capability by procuring new testing equipment and recruiting additional full-time technical personnel. The Group continues to seek for suitable specialists with appropriate calibre in 2022.

Leveraging on market trend information gathered by the sales and marketing team and participation in drafting the PRC industry standards, the Group constantly keeps track of developments and trends in the FRP industry worldwide. Over the past years, the Group closely followed up with the PRC government's macroeconomic stimulus when carrying out the research and development works. Moreover, the Group adheres to the policy in promoting its products in countries along the "Belt and Road Initiatives". With all these efforts, the Groups is hopeful that performance of the Group's FRP products would be further enhanced in the coming years.

It is generally believed that effective market is important in capturing the market share and attracting potential customers and as such, in the year ended 31 December 2021, the Group undertook the following marketing activities:

i. placing advertisements on the internet such as an online trading platform Made-in-China.com (www.made-in-china.com), and entering into promotion agreements with online search engine service provider to attract new customers;

ii. identification of suitable tender invitation mainly by online advertisements and industry periodicals; and

iii. Contacting existing customers regularly to enhance their knowledge on the Group's products and competitive advantages, to promote new products, to understand their specific needs, to obtain feedbacks on the products and to get a better understanding on the market trends.

With regard to the environmental aspect, the Group is committed to minimizing any negative impact on the environment which may be resulted from the production process. During the year ended 31 December 2021, the Group had no material non-compliance or violation on any relevant laws and regulations of the PRC on environmental protection.

The Group adopted an occupational health and safety system to comply with the relevant occupational health and safety laws and regulations imposed by the government authorities in the PRC. During the year ended 31 December 2021, there were no material work-related injuries or fatalities at the production facilities, and no prosecution has been made against the Group by the relevant government authorities in the PRC in respect of the breach of applicable health and safety laws and regulations.

With the extensive experience and market recognition of products which the Group has accumulated since more than a decade ago, as well as the expending customer base, the Board is of the view that the Group is more well-positioned than other domestic enterprises in the industry to further develop and expand its markets and products so as to capture the moderate growth of the FRP grating products market going forward.

SALES PERFORMANCE

The Group posted a consolidated revenue of approximately RMB78.6 million for the year ended 31 December 2021, representing a decrease of approximately RMB19.0 million or 19.4% as compared to the year ended 31 December 2020. The decrease in revenue was primarily driven by the decrease in sales of both FRP grating products and epoxy wedge strip products. Moreover, sales for the domestic market decreased by approximately 19.8% to approximately RMB51.7 million for the year ended 31 December 2021 from approximately RMB64.4 million for the year ended 31 December 2020. The domestic market contributed approximately 65.7% of total sales for the year ended 31 December 2021, which has decreased by 0.3 percentage point in comparison with that of approximately 66.0% for the year ended 31 December 2020.

Details of the Group's revenue and gross profit margin by product categories are as follows:

	For the year ended 31 December			
	2021		2020	
	Sales revenue	**Gross profit margin**	Sales revenue	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
FRP grating products	**41,188**	**26.0**	45,562	33.8
Phenolic grating products	**160**	**36.4**	250	41.7
Epoxy wedge strip products	**37,276**	**27.5**	51,796	32.8
	78,624	**26.7**	97,608	33.3

During the year ended 31 December 2021, sales of FRP grating products remained the largest contributor to the Group's revenue and it accounted for approximately 52.4% of the total revenue. The percentage of contribution has increased by 5.7 percentage points in comparison with the corresponding year in 2020. FRP grating products were mainly sold to corporate customers in the PRC who generally are end-users of such products, as well as distributors in the United States of America ("**U.S.**"). and the United Kingdom ("**U.K.**") who buy the products on per purchase order basis with no distribution arrangement. The revenue derived from sales of FRP grating products decreased by approximately RMB4.4 million or 9.6% from approximately RMB45.6 million for the year ended 31 December 2020 to approximately RMB41.2 million for the year ended 31 December 2021. This was mainly due to the decrease in sales revenue in the overseas markets. The gross profit margin decreased by 7.8 percentage points from 33.8% for the year ended 31 December 2020 to 26.0% for the year ended 31 December 2021, which was mainly attributable to the increase in costs of raw materials amidst the rupture of the worldwide supply chain caused by the widespread of the COVID-19 pandemic.

Phenolic grating products were generally sold to shipbuilders and offshore oilfields construction companies in the PRC. Revenue generated from sales of phenolic grating products decreased by approximately 36% from approximately RMB250,000 for the year ended 31 December 2020 to approximately RMB160,000 for the year ended 31 December 2021. The reduction was due to the downturn in the shipbuilding industry in China and nearby surrounding countries, which caused the customers to be more conservative on placing new orders. The gross profit margin decreased by approximately 5.3 percentage points from 41.7% for the year ended 31 December 2020 to 36.4% for the year ended 31 December 2021. This was mainly due to the increase in costs of raw materials as mentioned above.

Epoxy wedge strip products were developed and targeted for manufacturers of wind turbine blades in the PRC. The revenue derived from sales of epoxy wedge strip products decreased by approximately RMB14.5 million or 28.0% from approximately RMB51.8 million for the year ended 31 December 2020 to approximately RMB37.3 million for the year ended 31 December 2021. This was mainly due to the sharp increase in costs of raw materials for certain downstream customers who were very conservative in placing orders. The gross profit margin decreased by approximately 5.3 percentage points from approximately 32.8% for the year ended 31 December 2020 to approximately 27.5% for the year ended 31 December 2021. This decrease in gross profit margin was attributable to the increase in costs of raw materials as mentioned above and the relative increase in the fixed costs of production per unit resulting from the reduction in production volume.

Details of the average selling price and the sales volume by major product categories are as follows:

	For the year ended 31 December			
	2021		2020	
	Average selling price per unit	**Volume**	Average selling price per unit	Volume
	RMB		*RMB*	
FRP grating products	**257.9**	**159,737 m^2**	288.4	158,003 m^2
Phenolic grating products	**519.5**	**308 m^2**	588.2	425 m^2
Epoxy wedge strip products	**57.4**	**649,826 m**	69.3	747,659 m

The average selling price of the FRP grating products per m^2 dropped by approximately RMB30.5 per m^2 or approximately 10.6% from RMB288.4 per m^2 for the year ended 31 December 2020 to RMB257.9 per m^2 for the year ended 31 December 2021, with a slight increase in sales volume of approximately 1.1% in comparison between the two years. The decrease in average selling price was mainly due to the variations in the composition of lower priced FRP grating products sold.

The average selling price of the phenolic grating products per m^2 decreased by approximately 11.7% from RMB588.2 per m^2 for the year ended 31 December 2020 to RMB519.5 per m^2 for the year ended 31 December 2021, with a decrease in sales volume of approximately 27.5% in comparison between the two years. The decrease in average selling price was mainly due to the differences in product specifications in relation to different shapes, weight and dimension for the products sold in these two years.

The average selling price of the epoxy wedge strip products per m decreased by approximately RMB11.9 per m from RMB69.3 per m for the year ended 31 December 2020 to RMB57.4 per m for the year ended 31 December 2021, with a reduction in sales volume of approximately 13.1% in comparison between the two years. As the whole industry is suffering from the reduction in orders, our manufacturing plant has no other alternative but to follow our peer to cut down the selling prices of the epoxy wedge strip products.

Details of the Group's sale revenue by geographical area are as follows:

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
PRC	**51,675**	64,434
U. S.	**12,522**	14,968
U. K.	**8,174**	11,661
Others	**6,253**	6,545
Total	**78,624**	97,608

Sales to the PRC market decreased by approximately 19.8% from approximately RMB64.4 million for the year ended 31 December 2020 to approximately RMB51.7 million for the year ended 31 December 2021, which was mainly attributable to the reduction in sales of epoxy wedge strip products to the PRC customers during the year ended 31 December 2021.

Sales to the U.S. market decreased by approximately 16.3% from approximately RMB15.0 million for the year ended 31 December 2020 to approximately RMB12.5 million for the year ended 31 December 2021, mainly because of the higher import tariffs and the adverse impact of the COVID-19 pandemic on the U.S. economy and market condition which suppressed the demands for the Group's products in the U.S. market.

Sales to the U.K. market decreased by approximately 29.9% from approximately RMB11.7 million for the year ended 31 December 2020 to approximately RMB8.2 million for the year ended 31 December 2021, mainly because of the decrease in sales orders from the major customers in the U.K. market resulting from the adverse impact of the COVID-19 pandemic.

Sales to the other locations decreased by approximately 4.5% from approximately RMB6.5 million for the year ended 31 December 2020 to approximately RMB6.3 million for the year ended 31 December 2021, mainly because of the decrease in sales order from the customers in Belgium, France and South Africa resulting from the adverse impact of the COVID-19 pandemic.

OPERATING COSTS AND EXPENSES

Distribution costs increased by approximately RMB170,000 or 4.1% to approximately RMB4.3 million in the year ended 31 December 2021 from approximately RMB4.2 million in the year ended 31 December 2020. The increase was mainly attributable to the increase in staff costs.

Administrative expenses decreased by approximately RMB975,000, a 6.2% decrease to approximately RMB14.9 million in the year ended 31 December 2021 from approximately RMB15.8 million in the year ended 31 December 2020. The decrease was mainly attributable to the decrease in research and development expense.

Finance costs decreased by approximately RMB12,000 to approximately RMB294,000 for the year ended 31 December 2021 from approximately RMB306,000 for the year ended 31 December 2020. The decrease was mainly due to the repayment of bank loan during the year ended 31 December 2021.

OPERATING RESULTS

The Group suffered from a substantial reduction in net profit of approximately RMB5.5 million for the year ended 31 December 2020 to a net loss of approximately RMB2.0 million for the year ended 31 December 2021. This downward swing in operating results was primarily attributable to: (i) the reduction in the sales of the Group's products by approximately 19.4% from approximately RMB97.6 million for the year ended 31 December 2020 to approximately RMB78.6 million for the year ended 31 December 2021 due to the adverse impact of the COVID-19 pandemic which suppressed the demands of the Group's products; and (ii) the decrease in gross profit margin of approximately 6.6 percentage points for the products sold by the Group during the year ended 31 December 2021, which was resulted from the drastic increase in the costs of raw materials amidst the rupture of the worldwide supply chain caused by the COVID-19 pandemic.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group held total assets of approximately RMB110.6 million (2020: approximately RMB97.6 million), including cash and cash equivalents of approximately RMB8.2 million (2020: approximately RMB16.5 million).

As at 31 December 2021, the Group had total liabilities of approximately RMB42.3 million (2020: RMB38.6 million) which mainly comprised of trade and other payables of approximately RMB29.9 million (2020: RMB25.9 million) and deferred tax liabilities of approximately RMB10.3 million (2020: RMB4.8 million).

Following the repayment of bank loan of RMB5,000,000 during the year ended 31 December 2021, the gearing ratio as at 31 December 2021, which was expressed as a percentage of total loans and borrowings over total equity, was nil (2020: 8.5%)

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no contingent liabilities (31 December 2020: Nil).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign exchange risk primarily through sales which give rise to receivables and cash balances that are denominated in U.S. dollars, which is attributable to sales transactions entered into by the Group with overseas customers. The Group has adopted the following measures to mitigate the exposure to foreign exchange risk:

(i) the accounting and finance department would closely monitor the movement of relevant exchange rates to ensure that the net exposure is kept to an acceptable level;

(ii) quotations provided to our overseas customers are generally valid for one to three months only;

(iii) in the event that the relevant exchange rates fluctuate more than 5.0%, the Director and senior management would be notified such that appropriate actions could be carried out in a timely manner to address any foreign exchange risks;

(iv) if the fluctuation in the relevant exchange rates exceeds 8.0% for more than two months, the pricing policy would be adjusted accordingly to reflect such change; and

(v) the Directors would regularly review the analysis prepared by the accounting and finance department and assess whether there is any material and adverse impact on the Group's financial performance and whether any hedging or derivative financial instruments should be entered into for managing the foreign exchange risk exposures.

In addition to the above, the Group is generally able to pass on the cost arising from the exchange rate fluctuations to the customers by adjusting the pricing. Hence, it is considered that the Group's exposure to foreign exchange risk is limited and it is not necessary to adopt any hedging strategy.

CHARGES ON GROUP ASSETS

As at 31 December 2021, the Group had the following charges on its assets:

(i) Following the repayment of bank loan of RMB5,000,000 during the year ended 31 December 2021, the legal charges on the Group's right-of-use asset and buildings were released. As at 31 December 2020, the outstanding bank loan of RMB5,000,000 was secured by the right-of-use asset with a carrying value of RMB1,360,000 and the buildings with a carrying value of RMB8,454,000 as at 31 December 2020.

(ii) An aggregate amount of RMB3,000,000 (2020: RMB4,000,000) was placed in a bank account and pledged in favour of banks for bill issuance.

CAPITAL STRUCTURE

As at 31 December 2021, the share capital and total equity attributable to equity holders of the Company amounted to approximately RMB3,600,000 (2020: RMB3,600,000) and RMB68,246,000 (2020: RMB59,090,000) respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 107 employees (2020: 133). The total staff costs including Directors' remuneration for the year were approximately HK$14.1 million (2020: approximately RMB13.4 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses were offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual review system to assess the performance of staff, which forms the basis of decisions with respect to salary rises and promotions.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

There were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2021.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries and affiliated companies as at 31 December 2021.

CHANGE IN SHAREHOLDING STRUCTURE

On 3 January 2020, Singa Dragon International Ventures Limited ("**Singa**") and Yunhong Group Co., Limited ("**Yunhong**") entered into a share transfer agreement, pursuant to which Singa agreed to sell, and Yunhong agreed to purchase, 40,000,000 shares of the Company (representing 10.0% of the entire issued share capital of the Company at the date of this announcement) for a total consideration of HK$6,400,000 at HK$0.16 per share. Completion of the aforesaid share transfer agreement took place on 23 December 2020. Detailed information in relation to the said share transfer agreement was set out in the Company's announcements dated 3 January and 28 December 2020.

On 31 March 2021, LF INTERNATIONAL PTE. LTD. ("**LFB**") and Singa entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") pursuant to which, Singa agreed to sell, and LFB agreed to purchase 123,600,000 shares of the Company (representing 30.9% of the entire issued share capital of the Company at the date of this announcement) for a total consideration of HK$24,720,000 at HK$0.20 per share. Completion of the Sale and Purchase Agreement took place on 15 April 2021. Detailed information in relation to the Sale and Purchase Agreement was set out in the announcement dated 15 April 2021 jointly issued by LFB and the Company.

Given that Mr. Li Yubao ("**Mr. Li**"), is the ultimate controlling shareholder of both Yunhong and LFB, Mr. Li, Yunhong and LFB are presumed to be parties acting in concert under Class (8) of the definition of "Acting in concert" under The Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"). Accordingly, immediately after completion of the Sale and Purchase Agreement, LFB and parties acting in concert with it are collectively interested in 163,600,000 shares of the Company (representing 40.9% of the entire issued share capital of the Company at the date of this report).

Pursuant to Rule 26.1 of the Takeovers Code, LFB was required to make a mandatory conditional cash offer (the "**Offer**") for all the issued shares of the Company (other than those already owned by LFB and Yunhong), being 236,400,000 shares of the Company (representing 59.1% of the entire issued share capital of the Company at the date of this report). Detailed information in relation to the Offer was set out in the announcement dated 15 April 2021 and the composite document dated 21 May 2021 jointly issued by LFB and the Company.

The Offer, which was conditional only upon LFB having received valid acceptances together with the shares of the Company already owned by LFB and the parties acting in concert with it, would result in LFB and the parties in concern with it in aggregate holding more than 50% of the voting rights of the Company. At the close of the Offer, there were, however, valid acceptances in respect of 190,000 shares of the Company, representing 0.05% of the entire issued share capital of the Company at the date of this announcement. LFB and the Company, therefore, jointly announced that the Offer lapsed on 11 June 2021. Detailed information in relation the level of acceptance and the lapse of the Offer was set out in the announcement dated 11 June 2021 jointly issued by LFB and the Company.

CORPORATE GOVERNANCE PRACTICES

Throughout the financial year ended 31 December 2021, the Company has complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. All Directors confirmed that they complied with the code of conduct regarding the dealings in securities of the Company and the required standards as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2021.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 16 December 2016 in accordance with the requirements of the GEM Listing Rules. The Audit Committee currently comprises of all three independent non-executive Directors, Mr. Ng Sai Leung, as the chairman, Mr. Tam Tak Kei Raymond and Mr. Lee Man Tai as the members. The Audit Committee examined the accounting principles and practices adopted by the Group and discussed with the management its internal controls. The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2021.

By order of the Board
Yunhong Guixin Group Holdings Limited
Li Yubao
Chairman and Executive Director

Hong Kong, 21 March 2022

As at the date of this announcement, the executive Directors are Mr. Li Yubao, Ms. Zhang Yaping and Ms. Shi Dongying; and the independent non-executive Directors are Mr. Ng Sai Leung, Mr. Tam Tak Kei Raymond and Mr. Lee Man Tai.

This announcement will remain on the Stock Exchange's website at www.hkgem.com on the "Latest Listed Company Information" page for 7 days from the date of its publication and on the website of the Company at www.nantongrate.com