



YUNHONG GUIXIN GROUP HOLDINGS LIMITED
運鴻硅鑫集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8349)

2022 INTERIM REPORT



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 the 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

RESULTS

The Board presents the unaudited results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2022, together with comparative unaudited figures for the corresponding periods in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	10,247	21,196	23,341	34,819
Cost of sales		(7,863)	(15,792)	(17,632)	(26,260)
Gross profit		2,384	5,404	5,709	8,559
Other revenue	4	517	71	997	75
Other net gain/(loss)	4	341	(190)	234	(344)
Distribution costs		(311)	(1,192)	(801)	(2,140)
Administrative expenses		(2,871)	(2,165)	(5,668)	(4,540)
Profit from operations		60	1,928	471	1,610
Finance costs	5 (a)	(4)	(63)	(10)	(126)
Profit before taxation	5	56	1,865	461	1,484
Income tax	6	(345)	(818)	(624)	(905)
(Loss)/Profit for the period attributable to owners of the Company		(289)	1,047	(163)	579
Other comprehensive income for the period		-	-	-	-
Total comprehensive (expense)/income for the period attributable to owners of the Company		(289)	1,047	(163)	579
(Loss)/Earnings per share		RMB cent	RMB cent	RMB cent	RMB cent
Basic and diluted	8	(0.07)	0.26	(0.04)	0.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		5,782	5,993
Investment property		29,000	29,000
Right-of-use asset		233	320
Deferred tax assets		1,658	1,760
		36,673	37,073
Current assets			
Inventories		8,996	12,305
Property held for sale		1,468	1,468
Contract assets		1,162	1,648
Trade and other receivables	9	50,050	46,865
Pledged bank deposits		–	3,000
Cash and cash equivalents		9,566	8,220
		71,242	73,506
Current liabilities			
Trade and other payables	10	27,177	29,853
Lease liabilities		176	171
Bank borrowings		50	–
Income tax payable		2,000	1,888
		29,403	31,912
Net current assets			
		41,839	41,594
Total assets less current liabilities			
		78,512	78,667
Non-current liabilities			
Lease liabilities		61	150
Deferred tax liabilities		10,368	10,271
		10,429	10,421
NET ASSETS			
		68,083	68,246
CAPITAL AND RESERVES			
Share capital	11	3,600	3,600
Reserves		64,483	64,646
TOTAL EQUITY			
		68,083	68,246

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves							Sub-total	Total
	Share capital	Share premium	Capital reserve	Property revaluation reserve	Share-based payment reserve	Statutory reserve	Retained profits		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (Audited)	3,600	20,900	9,557	-	1,933	6,407	16,693	55,490	59,090
Profit and total comprehensive income for the period	-	-	-	-	-	-	579	579	579
Equity-settled share-based payments	-	-	-	-	67	-	-	67	67
Lapse of share-based payment arrangements	-	-	-	-	(2,000)	-	2,000	-	-
Transfer to statutory reserve	-	-	-	-	-	262	(262)	-	-
At 30 June 2021 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>-</u>	<u>-</u>	<u>6,669</u>	<u>19,010</u>	<u>56,136</u>	<u>59,736</u>
At 1 January 2022 (Audited)	3,600	20,900	9,557	11,132	-	8,287	14,770	64,646	68,246
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(163)	(163)	(163)
Transfer to statutory reserve	-	-	-	-	-	96	(96)	-	-
At 30 June 2022 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>11,132</u>	<u>-</u>	<u>8,383</u>	<u>14,511</u>	<u>64,483</u>	<u>68,083</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months
ended 30 June

	2022 RMB'000 (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Net cash generated from/(used in) operating activities	1,832	(6,972)
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(446)	(712)
Interest received	5	9
Net cash used in investing activities	(441)	(703)
Cash flows from financing activities		
Proceeds from new bank borrowings	50	–
Capital element of lease rentals paid	(92)	–
Interest payments	(3)	(126)
Net cash used in financing activities	(45)	(126)
Net increase/(decrease) in cash and cash equivalents	1,346	(7,801)
Cash and cash equivalents at beginning of period	8,220	16,545
Cash and cash equivalents at end of period	9,566	8,744



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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, 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 fiberglass reinforced plastic products in the PRC. During the reporting periods, 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 PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited consolidated results for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The HKICPA has issued a number of amendments to HKFRSs which are effective for the current accounting period of the Group. None of those developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The accounting policies adopted in preparing the unaudited consolidated results for the six months ended 30 June 2022 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2021.

The consolidated results of the Group for the six months ended 30 June 2022 are unaudited but have been reviewed by the audit committee of the Company.

3. 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 and sales taxes, returns and discounts, during the period.

	For the three months ended 30 June		For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Sales of fiberglass reinforced plastic ("FRP")				
- FRP grating products	5,266	13,020	9,279	19,730
- Phenolic grating products	-	160	-	160
- Epoxy wedge strip products	4,981	8,016	14,062	14,929
	<u>10,247</u>	<u>21,196</u>	<u>23,341</u>	<u>34,819</u>

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 FRP products in the PRC.

4. OTHER REVENUE AND OTHER NET GAIN/(LOSS)

	For the three months ended 30 June		For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other revenue				
Interest income on bank deposits	3	5	5	9
Rental income from investment property	478	-	956	-
Sundries	36	66	36	66
	<u>517</u>	<u>71</u>	<u>997</u>	<u>75</u>
Other net gain/(loss)				
Net foreign exchange gain/(loss)	341	(190)	234	(344)
	<u>341</u>	<u>(190)</u>	<u>234</u>	<u>(344)</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following items:

	For the three months ended 30 June		For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(a) Finance costs				
Interest on bank borrowings	–	63	3	126
Interest on lease liabilities	4	–	7	–
	<u>4</u>	<u>63</u>	<u>10</u>	<u>126</u>
(b) Staff costs (including directors' emoluments)				
Salaries, wages and other benefits	2,444	2,845	4,715	5,513
Contributions to defined contribution retirement plans	240	299	487	531
Equity-settled share-based payments	–	–	–	67
	<u>2,684</u>	<u>3,144</u>	<u>5,202</u>	<u>6,111</u>
(c) Other items				
Amortisation for a right-of-use asset	43	10	87	19
Depreciation for property, plant and equipment	343	492	657	969
Cost of inventories recognised as expense (note (i))	6,373	15,636	16,844	26,166
Research and development costs (note (ii))	773	572	1,223	1,472
	<u>773</u>	<u>572</u>	<u>1,223</u>	<u>1,472</u>

Notes:

- (i) Cost of inventories recognised as expenses include approximately RMB2,571,000 (six months ended 30 June 2021: RMB3,168,000) relating to staff costs, and approximately RMB482,000 (six months ended 30 June 2021: RMB685,000) relating to depreciation for property, plant and equipment, the amounts of which are also included in the total amount disclosed separately above for each of these types of expenses.
- (ii) Including in the research and development costs are staff cost of approximately RMB728,000 (six months ended 30 June 2021: RMB782,000) and costs of materials consumed of RMB368,000 (six months ended 30 June 2021: RMB649,000), the amounts of which are also included in the total amount disclosed separately above for each of these types of expenses.

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax				
PRC Enterprise Income Tax ("EIT") on profits of the Group's subsidiary	315	629	527	696
Deferred tax				
Origination and reversal of temporary differences in respect of withholding tax on distributable profits of the Group's PRC subsidiary	30	189	97	209
	345	818	624	905

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 six months ended 30 June 2022 and the corresponding six months in 2021 as the Group did not have assessable profits subject to Hong Kong Profits Tax during the aforesaid periods.

The PRC subsidiaries of the Group are subject to PRC EIT at 25% (six months ended 30 June 2021: 25%). Dividends declared to Prosperous Composite Material Co., Ltd., as a non-resident shareholder, in respect of profits earned by Nantong Meigu, are subject to the PRC withholding tax at 10%.

7. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on the following data:

	For the three months ended 30 June		For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(Loss)/Earnings for the purpose of basic (loss)/earnings per share				
(Loss)/Profit for the period attributable to owners of Company	(289)	1,047	(163)	579
	'000	'000	'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	400,000	400,000

Basic (loss)/earnings per share for the six months ended 30 June 2022 amounted to RMB(0.04) cent (six months ended 30 June 2021: RMB0.14 cent) per share.

No diluted (loss)/earnings per share was presented as there was no potential ordinary shares outstanding during the periods ended 30 June 2022 and 2021.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables	36,571	42,845
Bills receivables	14,802	7,006
	51,373	49,851
Less: allowance for lifetime expected credit losses	(3,718)	(3,718)
Trade and bills receivables, net	47,655	46,133
Other receivables	2,324	390
Prepayments and deposits	71	342
	50,050	46,865

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 repayment on demand.

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
0 – 30 days	6,528	20,216
31 – 90 days	9,443	12,811
91 – 180 days	14,754	9,950
181 – 365 days	14,834	3,043
Over 365 days	2,096	113
	47,655	46,133

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

10. TRADE AND OTHER PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables	4,340	11,379
Bills payables	8,011	4,383
	<hr/>	<hr/>
Total trade and bills payables <i>(note (a))</i>	12,351	15,762
Amount due to a former shareholder <i>(note (b))</i>	6,012	6,012
Amounts due to the Directors <i>(note (c))</i>	2,929	1,846
Amount due to a shareholder <i>(note (d))</i>	1,015	661
Other payables	4,870	5,572
	<hr/>	<hr/>
	27,177	29,853
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
0 – 30 days	3,123	10,015
31 – 90 days	1,451	2,844
91 – 180 days	6,745	1,735
181 – 365 days	470	1,168
Over 365 days	562	–
	<hr/>	<hr/>
	12,351	15,762
	<hr/> <hr/>	<hr/> <hr/>

(b) Amount due to a former shareholder

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Amount due to Singa Dragon International Ventures Limited	6,012	6,012

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

(c) Amounts due to the Directors

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Amount due to Li Yubao	286	286
Amount due to Zhang Yaping	2,643	1,560
	2,929	1,846

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

(d) Amount due to a shareholder

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Amount due to Yunhong Group Co., Limited	1,015	661

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

11. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 30 June 2022 '000 (Unaudited)	As at 31 December 2021 '000 (Audited)	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.01 each	2,000,000	2,000,000	20,000	20,000
Issued and fully paid				
Ordinary shares of HK\$0.01 each	400,000	400,000	3,600	3,600

12. MATERIAL RELATED PARTY TRANSACTIONS

- (a) Remuneration for key management personnel of the Group, including amounts paid to the Directors and certain highest-paid employees is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	460	298	899	598
Post-employment benefits	31	19	63	59
Equity-settled share-based payments	-	-	-	67
	491	317	962	724

(b) Transactions with related parties

	For the three months ended 30 June		For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Rental expenses paid to Meigu New Materials (Nantong) Company Limited* (美国新材料(南通)有限公司) (Note)	546	-	1,092	-

Note:

Meigu New Materials (Nantong) Company Limited* (美国新材料(南通)有限公司) (“**Meigu New Materials**”) is a company established in the PRC, in which Mr. Jiang Guitang, a former Director in the last 12 months, therefore a connected person of the Company, has an ultimate beneficial interest. The rental expenses were related to renting of a new production plant for the manufacturing operations undertaken by the Group. This is a connected transaction which falls within the de minimis provision under Rule 20.74(1) of the GEM Listing Rules. The transaction is fully exempt.

* For identification only



MANAGEMENT DISCUSSION AND ANALYSIS


Review and Prospects

The Group is an established and leading manufacturer in the PRC engaged in the research and development, production and sale of a variety of FRP products. For the six months ended 30 June 2022, the Group's major products consisted of: (i) FRP grating products; and (ii) epoxy wedge strip products.

The applications for FRP are quite wide including building and construction field, electrical and telecommunications engineering. As the product is characterised 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 future in light of gradual maturity and better understanding of the FRP market.


For the six months ended 30 June 2022, the Group recorded a sales revenue of approximately RMB23.3 million, which has slipped back substantially by approximately RMB11.5 million or 33.0% from that of approximately RMB34.8 million for the six months ended 30 June 2021. This substantial reduction in the sales revenue was attributable to the decrease in revenue generated from the sales of FRP grating products by approximately 53.0% during the six months ended 30 June 2022.



Beginning in March 2022, the PRC struggled to contain its worst outbreak of the COVID-19 pandemic through lockdown of major cities, in particular the financial hub of Shanghai, which has exerted a significant adverse impact on the economy at large. It is generally believed that the stagnation of economic activities caused by the lockdowns has taken a serious blow to the gross domestic product (the “GDP”). In the first half year of 2022, the GDP of the PRC only grew by 2.5% as compared to that of 12.7% achieved in the corresponding period in 2021. It appears that there should be a balance between containment of COVID-19 pandemic and resurrection of the domestic economic momentum as far as formulation of economic policies is concerned. However, we are still far from seeing the light at the end of the tunnel. In view of the repeated spreading of the COVID-19 mutant and the unpredictable government policies, the second half year of 2022 will be covered with brambles and challenges.

On the international arena, it is further believed that the Sino-American relations will face a bigger test in the second half year of 2022. The United States of America (“U.S.”) will hold mid-term elections and China policy may become the target of fierce partisan politics as the U.S. conservatives and progressives accuse each other of being soft on China. The U.S. government tightened export restrictions on Chinese high-tech enterprises and forbade U.S. investment in China’s so-called military-civilian fusion firms for safeguarding U.S. advantages in big data, artificial intelligence and quantum computing. On the other hand, while Russia’s military operations on Ukraine will tighten the co-operation between the PRC and Russia, it will further worsen the Sino-American relations.

As the economic and political environments remain so uncertain, the Group will need to take part more rigorously in tender bidding for all potential projects both in the PRC and the overseas markets. Moreover, the Group will continue to enhance product recognition by improving production technology so as to maintain effective cost control and strengthen the competitiveness. Furthermore, the Group will recruit more experienced talents to fulfil the Group’s mission in product research, development and market expansion.



Given the resilience and potential of the PRC's economy in the long run, it is considered that stable growth would remain unchanged. Looking ahead, the Group remains prudent and optimistic about the prospects of its business in the long run. The Group will follow a cautious approach to ensure continuous, steady and effective business and operation development in the second half year of 2022. While the Group is closely monitoring the latest development of the epidemic disease resulting from the spread of COVID-19 and its impact on the industry at large, it would adjust its strategies from time to time when required including exploring new revenue streams to lower the business risk.

Sales Performance

The Group posted a consolidated revenue of approximately RMB23.3 million for the six months ended 30 June 2022, representing a decrease of approximately RMB11.5 million or 33.0% as compared to the corresponding period in 2021. The decrease in revenue was primarily driven by the reduction in sales revenue generated from FRP grating products. Moreover, sales for the domestic market decreased by approximately 21.0% to approximately RMB17.9 million for the six months ended 30 June 2022 from approximately RMB22.6 million for the corresponding period in 2021. The domestic market contributed approximately 76.6% of the total sales for the six months ended 30 June 2022, which has increased by 11.6 percentage points in comparison with that of approximately 65.0% for the six months ended 30 June 2021.

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

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Sales revenue <i>RMB'000</i>	Gross profit margin %	Sales revenue <i>RMB'000</i>	Gross profit margin %
FRP grating products	9,279	29.2	19,730	30.6
Phenolic grating products	-	-	160	36.4
Epoxy wedge strip products	14,062	21.3	14,929	20.4
	23,341	24.5	34,819	24.6

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 U.S. and the United Kingdom ("U.K.") who generally buy the products on per purchase order basis with no distribution arrangement. The revenue derived from sales of FRP grating products decreased by approximately RMB10.4 million or 53.0% from approximately RMB19.7 million for the six months ended 30 June 2021 to approximately RMB9.3 million for the six months ended 30 June 2022. This was mainly attributed to the significant decrease in both domestic and overseas sales orders as a result of the drop in demands for the FRP grating products due to the rising prices caused by the increase in the costs of raw materials and transportation, which was primarily resulted from the adverse impact of the COVID-19 pandemic. The gross profit margin dropped slightly by approximately 1.4 percentage points from 30.6% for the six months ended 30 June 2021 to 29.2% for the six months ended 30 June 2022. This was mainly attributable to the increase in the costs of raw materials.

Phenolic grating products were generally sold to shipbuilders and offshore oilfields construction companies in the PRC. Due to the downturn in the shipping industry in the PRC and nearby surrounding countries, there was no revenue derived from sales of phenolic grating products for the six months ended 30 June 2022.

During the six months ended 30 June 2022, sales of epoxy wedge strip products became the largest contributor to the Group's revenue and the revenue of which accounted for approximately 60.3% of the total revenue of the Group. 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 RMB867,000 or 5.8% from approximately RMB14.9 million for the six months ended 30 June 2021 to approximately RMB14.1 million for the six months ended 30 June 2022. During the second quarter of 2022, epoxy wedge products underwent a transition period whereby a number of new product specifications have been rolled out for approval and as such production of epoxy wedge products was slowed down pending approval of new product specifications. It is, nevertheless, expected that production of epoxy wedge products would pick up in the second half year of 2022 when the new product specifications are approved for production. The gross profit margin increased only slightly by approximately 0.9 percentage points from approximately 20.4% for the six months ended 30 June 2021 to approximately 21.3% for the six months ended 30 June 2022. The increase in gross profit margin was attributable to the decrease in cost of sales as a result from the enhancement of product efficiency.

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

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Average selling price RMB	Volume	Average selling price RMB	Volume
FRP grating products	283.4	32,470 m²	262.4	75,196 m ²
Phenolic grating products	–	–	519.5	308 m ²
Epoxy wedge strip products	54.9	255,985 m	60.7	245,852 m


The average selling price of the FRP grating products per m² increased by approximately RMB21.0 per m² or approximately 8.0% from RMB262.4 per m² for the six months ended 30 June 2021 to RMB283.4 per m² for the six months ended 30 June 2022, with a decrease in sales volume of approximately 56.8% in comparison between the two periods. The increase in average selling price was mainly due to the variations in the composition of higher priced FRP grating products sold in these two periods.

The average selling price of the epoxy wedge strip products per m decreased by approximately RMB5.8 per m from RMB60.7 per m for the six months ended 30 June 2021 to RMB54.9 per m for the six months ended 30 June 2022, with an increase in sales volume of approximately 4.1% in comparison between the two periods. The decrease in average selling price was mainly attributable to the differences in product specifications in relation to different shapes weight and dimension for the products sold in these two periods.

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
PRC	17,886	22,634
U.S.	1,311	5,604
U.K.	3,397	4,023
Others	747	2,558
	<hr/>	<hr/>
Total	23,341	34,819
	<hr/> <hr/>	<hr/> <hr/>

Sales to the PRC market decreased by approximately 21.0% from approximately RMB22.6 million for the six months ended 30 June 2021 to approximately RMB17.9 million for the six months ended 30 June 2022, which was mainly attributable to the significant decrease in sales of FRP grating products to PRC customers during the six months ended 30 June 2022.



Sales to the U.S. market decreased by approximately 76.6% from approximately RMB5.6 million for the six months ended 30 June 2021 to approximately RMB1.3 million for the six months ended 30 June 2022, mainly because of the higher import tariff and the adverse impact of 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 15.6% from approximately RMB4.0 million for the six months ended 30 June 2021 to approximately RMB3.4 million for the six months ended 30 June 2022, mainly because of the decrease in sales orders from the major customers in the U.K. market resulting from the adverse impact of COVID-19 pandemic.

Sales to the other locations decreased by approximately 70.8% from approximately RMB2.6 million for the six months ended 30 June 2021 to approximately RMB747,000 for the six months ended 30 June 2022, mainly because of the decrease in sales orders from Denmark and Taiwan resulting from the adverse impact of the COVID-19 pandemic.

Operating Costs and Expenses

Distribution costs of the Group decreased by approximately RMB1.3 million, or 62.6% to approximately RMB801,000 for the six months ended 30 June 2022 from approximately RMB2.1 million for the six months ended 30 June 2021. The decrease was mainly attributable to the decrease in wages and salaries, and customs declaration expenses.

Administrative expenses increased by approximately RMB1.1 million, or 24.9% to approximately RMB5.7 million for the six months ended 30 June 2022 from approximately RMB4.5 million for the six months ended 30 June 2021. The increase was mainly attributable to the increase in staff cost and rental expense.

Operating Results

The Group recorded a net loss of approximately RMB163,000 for the six months ended 30 June 2022 compared to a net profit of approximately RMB579,000 for the six months ended 30 June 2021. This was largely attributed to the substantial reduction in the revenue of the Group by approximately 33.0%, which was mainly resulted from the adverse impact of the COVID-19 pandemic which suppressed the demands for the Group's products.

Liquidity and Financial Resources

As at 30 June 2022, the Group held total assets of approximately RMB107.9 million (31 December 2021: approximately RMB110.6 million), including trade and other receivables of approximately RMB50.0 million (31 December 2021: approximately RMB46.9 million) and cash and cash equivalents of approximately RMB9.6 million (31 December 2021: approximately RMB8.2 million).


As at 30 June 2022, the Group had total liabilities of approximately RMB39.8 million (31 December 2021: approximately RMB42.3 million) which mainly comprise of trade and other payables of approximately RMB27.2 million (31 December 2021: approximately RMB29.9 million) and deferred tax liabilities of approximately RMB10.4 million (31 December 2021: approximately RMB10.3 million).

Capital Structure

As at 30 June 2022, the share capital and total equity attributable to equity holders of the Company amounted to approximately RMB3.6 million (31 December 2021: approximately RMB3.6 million) and approximately RMB68.1 million (31 December 2021: approximately RMB68.3 million) respectively.

Cash Flows

Net cash generated from operating activities was approximately RMB1.8 million for the six months ended 30 June 2022 compared to that of approximately RMB7.0 million used in operating activities for the six months ended 30 June 2021. The swing from cash outflow to cash inflow in respect of operating activities was largely due to the increase in funds generated from working capital during the six months ended 30 June 2022.



Net cash used in investing activities was approximately RMB441,000 for the six months ended 30 June 2021 (six months ended 30 June 2021: approximately RMB703,000). The decrease in net cash used in investing activities was resulted from the decrease in acquisition of property, plant and equipment during the six months ended 30 June 2022.

Net cash used in financing activities was approximately RMB45,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB126,000). The decrease in net cash used in financing activities was resulted from the decrease in the bank loan interest payments during the six months ended 30 June 2022.


Contingent Liabilities

As at 30 June 2022, the Group had no contingent liabilities (31 December 2021: Nil).

Exposure to Fluctuations in Exchange Rates and Related Hedges

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;

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- (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 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.

Charge on Group Assets

As at 30 June 2022, bank loan of RMB50,000 was secured by bills receivable of approximately RMB106,000.

Material Acquisition and Disposal

There was no acquisition and disposal of subsidiaries and associated company by the Group during the six months ended 30 June 2022.

Employees, Remuneration Policies

As at 30 June 2022, the Group had 95 employees (31 December 2021: 107). The total staff costs including Directors' remuneration for the six months ended 30 June 2022 were approximately RMB5.2 million (six months ended 30 June 2021: approximately RMB6.1 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.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the “**Shares**”), underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)(“**SFO**”) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO to be entered in the register referred to therein pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors and to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares

Name	Capacity/Nature of interest	Number of shares held/ interested in	Percentage of interest in the Company
Mr. Li Yubao (<i>Note</i>)	Interest in controlled corporations	163,600,000	40.9%

Note:

Mr. Li Yubao (“**Mr. Li**”) is the ultimate controlling shareholder of LF INTERNATIONAL PTE. LTD. (“**LFB**”) and Yunhong Group Co., Limited (“**Yunhong**”), both of which in turn hold a total of 163,600,000 Shares. Therefore, Mr. Li is deemed, or taken to be, interested in all the Shares held by LFB and Yunhong for the purposes of the SFO.

(ii) Long position in the ordinary shares of associated corporations

Name	Name of associated corporation	Capacity/Nature of interest	Number of shares held	Approximate percentage of interests
Mr. Li	LF INTERNATIONAL PTE. LTD. ("LFS") (Note 1)	Beneficial Owner	100	100%
	LFB (Note 2)	Interest in controlled corporation	1	100%

Notes:

1. LFS is a limited liability company incorporated in Singapore.
2. LFB is wholly owned by LFS, which is in turn wholly owned by Mr. Li.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2022, so far as is known to the Directors, the interests and short positions of the persons or corporations (other than a Director or chief executive of the Company) in the Shares or underlying Shares which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are as follows:

Name	Capacity/Nature of interest	Number of ordinary shares held/ interested in	Percentage of interest in the Company
LFS (Note 1)	Interest in a controlled corporation	123,600,000	30.9%
LFB (Note 1)	Beneficial owner	123,600,000	30.9%
Yunhong (Note 2)	Beneficial owner	40,000,000	10.0%
Mr. Wu Dong ("Mr. Wu") (Note 2)	Interest in controlled corporation	40,000,000	10.0%
Mr. Huang Xuechao	Beneficial owner	58,880,000	14.7%
Mr. Yan Qixu	Beneficial owner	27,920,000	7.0%

Notes:

- LFB is wholly owned by LFS, which is in turn wholly owned by Mr. Li. Therefore, each of LFS and Mr. Li is deemed or taken to be interested in the Shares held by LFB for the purposes of the SFO.
- Mr. Wu holds approximately 93.67% equity interest in Yunhong, which in turn beneficially owns 40,000,000 Shares (representing 10% of the total number of issued Shares). Therefore, Mr. Wu is deemed or taken to be interested in the Shares held by Yunhong for the purposes of the SFO. Among this 93.67% equity interest in Yunhong, 92% is held by Mr. Wu on behalf of Mr. Li pursuant to the nominee shareholding arrangements between Mr. Wu and Mr. Li. Hence, Mr. Li is regarded as the ultimate controlling shareholder of Yunhong and therefore Mr. Li is deemed or taken to be interested in the Shares held by Yunhong for the purpose of the SFO.

Save as disclosed above, as at 30 June 2022, no other persons (other than the Directors and chief executive of the Company) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the six months ended 30 June 2022, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules. Details of the material related party transactions are set out in note 12 of this report. Save as the transaction with Meigu New Materials, the related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

COMPETING INTERESTS

The Directors confirm that none of the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the six months ended 30 June 2022.

EVENT AFTER THE REPORTING PERIOD

On 19 July 2022, Nantong Meigu Composite Materials Company Limited ("**Nantong Meigu**"), an indirect wholly-owned subsidiary of the Company entered into an equity transfer agreement with two purchasers, pursuant to which Nantong Meigu has conditionally agreed to sell, and the purchasers have conditionally agreed to purchase, 100% of the equity interest in the Nantong Deerhui Precision Equipment Technology Co., Ltd.* 南通德而匯精密設備科技有限公司, a company wholly-owned by Nantong Meigu, at the total consideration of RMB31,000,000 in accordance with the terms and conditions of the aforesaid equity transfer agreement.

Details of the above disposal were set out in the Company's announcement dated 19 July 2022.

* for identification purposes only



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 of conduct regarding directors' dealing in securities of the Company. The Directors have complied with such code of conduct and the required standard of dealings in the six months ended 30 June 2022.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules in the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company established an audit committee on 16 December 2016 with written terms of reference based on the code provisions of the Corporate Governance Practice of the GEM Listing Rules. The audit committee comprises of three members, namely Mr. Ng Sai Leung, Mr. Tam Tak Kei Raymond, and Mr. Lee Man Tai, all being independent non-executive Directors. Mr. Ng Sai Leung currently serves as the chairman of the audit committee.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control and risk management systems, nominate and monitor external auditor and to provide advice and comments to the Board on matters related to corporate governance. The Group's unaudited results for the six months ended 30 June 2022 have been reviewed by the audit committee.

By order of the Board

Yunhong Guixin Group Holdings Limited

Li Yubao

Chairman & Executive Director

Hong Kong, 9 August 2022

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

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