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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022, together with the comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*4*	**62,287**	78,624
Cost of sales		**(46,665)**	(57,602)
Gross profit		**15,622**	21,022
Other revenue and other income	*5*	**2,429**	304
Other net gain (loss)	*5*	**966**	(327)
Fair value gain on investment property		**–**	100
Impairment losses on contract assets and trade and other receivables, net	*14(b)*	**(5,269)**	(659)
Gain on disposal of a subsidiary	*16*	**3,537**	–
Distribution costs		**(2,126)**	(4,336)
Administrative expenses		**(10,830)**	(14,864)
Profit from operations		**4,329**	1,240
Finance costs	*7(a)*	**(60)**	(294)
Profit before taxation	*7*	**4,269**	946
Income tax expenses	*8*	**(1,654)**	(2,989)
Profit (Loss) for the year		**2,615**	(2,043)
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		**–**	11,132
Total comprehensive income for the year		**2,615**	9,089
Earnings (Loss) per share		***RMB cents***	*RMB cents*
Basic and diluted	*9*	**0.65**	(0.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	10	**25,141**	5,993
Investment property	11	**–**	29,000
Right-of-use assets	12	**8,409**	320
Deferred tax assets		**2,836**	1,760
		36,386	37,073
Current assets			
Inventories		**9,058**	12,305
Property held for sale		**–**	1,468
Contract assets	13	**1,102**	1,648
Trade and other receivables	14	**51,584**	46,865
Pledged bank deposits		**–**	3,000
Cash and cash equivalents		**13,655**	8,220
		75,399	73,506
Current liabilities			
Trade and other payables	15	**21,310**	29,853
Lease liabilities		**2,793**	171
Income tax payable		**4,643**	1,888
		28,746	31,912
Net current assets		**46,653**	41,594
Total assets less current liabilities		**83,039**	78,667
Non-current liabilities			
Lease liabilities		**5,642**	150
Deferred tax liabilities		**6,536**	10,271
		12,178	10,421
NET ASSETS		**70,861**	68,246
Capital and reserves			
Share capital		**3,600**	3,600
Reserves		**67,261**	64,646
TOTAL EQUITY		**70,861**	68,246

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Reserves							
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Property revaluation reserve *RMB'000*	Share-based payment services *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Sub-total *RMB'000*	Total equity *RMB'000*
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
At 1 January 2022	**3,600**	**20,900**	**9,557**	**11,132**	**-**	**8,287**	**14,770**	**64,646**	**68,246**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**2,615**	**2,615**	**2,615**
Release of property revaluation reserve to retained profits	**-**	**-**	**-**	**(11,132)**	**-**	**-**	**11,132**	**-**	**-**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**420**	**(420)**	**-**	**-**
At 31 December 2022	**3,600**	**20,900**	**9,557**	**-**	**-**	**8,707**	**28,097**	**67,261**	**70,861**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

Notes:

1. GENERAL INFORMATION

Yunhong Guixin Group Holdings Limited (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 GEM of The Stock Exchange of Hong Kong Limited (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. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in (i) the research and development, production and sales of fiberglass reinforced plastic products; and (ii) sales of industrial silica sand material in the PRC.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards ("**HKFRSs**"), the collective term of which includes all 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 Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

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

The Group has not applied any new standard, amendments or interpretations that is not yet effective for the current accounting period, details of which are set out in note 3.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2022 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. These consolidated financial statements are presented in RMB and the figures are rounded to the nearest thousands 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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements Project – 2018-2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent – i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

HKFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the year ended 31 December 2022 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

Amendments to HKAS 1	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
HKFRS 17	Insurance Contracts[1]
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information[1]
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 21	Lack of Exchangeability[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

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

[2] Effective for annual periods beginning on or after 1 January 2023 (except for HKAS 12 paragraphs 4A and 88A which are immediately effective upon issue of the amendments).

[3] Effective for annual periods beginning on or after 1 January 2024

[4] Effective for annual periods beginning on or after 1 January 2025

[5] The effective date to be determined

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results of the Group.

4. REVENUE

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

	2022	2021
	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	**28,853**	41,188
– phenolic grating	**21**	160
– epoxy wedge strip	**33,413**	37,276
	62,287	78,624
Timing of revenue recognition		
At a point in time	**62,287**	78,624

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

5. OTHER REVENUE, OTHER INCOME AND OTHER NET GAIN (LOSS)

	2022	2021
	RMB'000	*RMB'000*
Other revenue		
Interest income on bank deposits	**59**	15
Rental income from investment property	**1,752**	80
Reversal of write-down of inventories	**556**	–
	2,367	95
Other income		
Government grants and other subsidies	**24**	187
Others	**38**	22
	62	209
	2,429	304
Other net gain (loss)		
Gain on disposal of property held for sale	**265**	–
Net foreign exchange gain (loss)	**701**	(327)
	966	(327)

6. SEGMENT REPORTING

The Group manages its businesses by business operations in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("**CODM**") for the purposes of resource allocation and performance assessment. The Group's reportable and operating segments are as follows:

– fiberglass business: research and development, production and sales of fiberglass reinforced plastic products in the PRC; and

– silica sand business: sales of industrial silica sand materials in the PRC.

(a) **Segment results, assets and liabilities**

Segment results represent the profit before taxation from each segment except for the unallocated corporate expenses, being central administrative costs.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the year is set out below:

	For the year ended 31 December 2022			
	Fiberglass business *RMB'000*	Silica sand business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Reportable segment revenue	**62,287**	**–**	**–**	**62,287**
Reportable segment profit (loss)	**3,935**	**–**	**(1,320)**	**2,615**
Amounts included in the measure of segment profit (loss):				
Depreciation of property, plant and equipment	**(1,190)**	**–**	**–**	**(1,190)**
Depreciation of right-of-use asset	**–**	**–**	**(192)**	**(192)**
Impairment loss on contract assets	**(51)**	**–**	**–**	**(51)**
Impairment loss on trade and bills receivables	**(5,218)**	**–**	**–**	**(5,218)**
Research and development costs	**(1,872)**	**–**	**–**	**(1,872)**
Reversal of write-down of inventories	**556**	**–**	**–**	**556**
Loss on disposal of property, plant and equipment	**(7)**	**–**	**–**	**(7)**
Lease payment on short-term lease	**2,183**	**–**	**–**	**2,183**
Gain on disposal of property held for sale	**–**	**–**	**265**	**265**
Gain on disposal of a subsidiary	**–**	**–**	**3,537**	**3,537**
Finance costs	**(60)**	**–**	**–**	**(60)**
Interest income on bank deposits	**59**	**–**	**–**	**59**
Reportable segment assets	**91,235**	**20,109**	**441**	**111,785**
Reportable segment liabilities	**37,915**	**–**	**3,009**	**40,924**
Additions to non-current segment assets during the year	**8,568**	**20,109**	**–**	**28,677**

During the year ended 31 December 2022, the CODM started to review information under a new reporting structure, and segment reporting is updated to conform to this change. The Group's management is of the view that this change of segment disclosure better reflects the Group's updated business strategies, the development phases of various businesses and the financial performance, and better aligns with the Group's resource allocation.

The updated reportable segments comprise (i) fiberglass business; and (ii) silica sand business. All the businesses in the silica sand business require iterations on business models and more resources. The Group's management periodically reviews their developments, and dynamically adjusts resource allocation and strategies.

For the year ended 31 December 2021, the Group is solely engaged in the research and development, production and sales of fiberglass reinforced plastic products in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measures reported to the executive directors of the Company for the purpose of resources allocation and performance assessment. Accordingly, only entity-wide disclosure, geographic information and major customers are presented for the year ended 31 December 2021.

(b) 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.

	2022	2021
	RMB'000	*RMB'000*
Local customers		
The PRC (excluding Hong Kong) (place of domicile)	**51,366**	51,675
Foreign customers		
The United States of America	**2,470**	12,522
The United Kingdom	**7,102**	8,174
Belgium	**–**	1,036
France	**823**	1,258
Canada	**–**	112
Germany	**–**	41
Denmark	**–**	3,078
South Korea	**–**	10
Others	**526**	718
	10,921	26,949
	62,287	78,624

The geographical locations of non-current assets other than deferred tax assets are based on the physical location of the asset under consideration.

	2022	2021
	RMB'000	*RMB'000*
The PRC	**33,374**	34,993
Hong Kong	**176**	320
	33,550	35,313

(c) Information about major customers

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

	2022	2021
	RMB'000	*RMB'000*
Customer A	**13,143**	19,863
Customer B	**11,233**	10,946
Customer C *(note)*	**7,590**	N/A

Note: Revenue from customer C did not contribute 10% or more of the total revenue of the Group during the year ended 31 December 2021.

7. PROFIT BEFORE TAXATION

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

	2022	2021
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank borrowings	**44**	292
Interest on lease liabilities	**16**	2
	60	294
(b) Employee benefits expenses (including directors' remuneration)		
Salaries, wages and other benefits	**10,020**	13,014
Contributions to defined contribution retirement plans	**860**	1,024
Equity-settled share-based payments	**–**	67
	10,880	14,105
(c) Other items		
Auditor's remuneration		
– auditor of the Company	**2,054**	807
– other auditors *(note (i))*	**18**	24
Cost of inventories *(note (ii))*	**44,112**	57,650
Depreciation of property, plant and equipment *(note 10)*	**1,190**	1,839
Depreciation of right-of-use asset *(note 12)*	**192**	64
Provision of impairment loss on contract assets *(note 13(b))*	**51**	15
Provision of impairment loss on other receivables	**–**	385
Provision of impairment loss on trade and bills receivables *(note 14(b))*	**5,218**	259
Research and development costs *(note (iii))*	**1,872**	4,834
(Reversal of write-down) Write-down of inventories	**(556)**	1,648
Lease payment on short-term lease	**2,183**	–
Loss on disposal of property, plant and equipment	**7**	–
Written-off of property, plant and equipment	**–**	35

Notes:

(i) The amounts represent remunerations paid to other auditors of Nantong Meigu Composite Materials Company Limited ("**Nantong Meigu**") for statutory audit service.

(ii) Cost of inventories include RMB3,905,000 (2021: RMB5,522,000) relating to employee benefits expenses, RMB807,000 (2021: RMB1,166,000) relating to depreciation of property, plant and equipment and RMB556,000 (2021: RMB1,648,000 relating to write-down of inventories) relating to reversal of write-down of inventories, for the year ended 31 December 2022, the amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(iii) Included in research and development costs are employee benefits expenses of RMB1,202,000 (2021: RMB1,454,000) and costs of materials consumed of RMB370,000 (2021: RMB3,213,000), the amounts of which are also included in the total amount separately disclosed for each of these types of expenses.

8. INCOME TAX EXPENSES

	2022	2021
	RMB'000	*RMB'000*
Current tax		
The PRC Enterprise Income Tax ("**EIT**") on profits of a PRC subsidiary of the Group		
– current year	**2,832**	1,893
– under-provision in prior years	**–**	32
	2,832	1,925
Deferred tax		
Origination and reversal of temporary differences in respect of		
– provision for impairment losses on contract assets and trade and other receivables	**(1,317)**	(165)
– reversal of write-down (write-down) of inventories	**139**	(386)
– withholding tax on distributable profits of a PRC subsidiary of the Group	**–**	1,692
– fair value gain on investment property	**–**	25
– tax losses arising from the Group's PRC subsidiary	**–**	(102)
	(1,178)	1,064
	1,654	2,989

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 2022 and 2021, as the Group did not have assessable profits subject to Hong Kong Profits Tax during both years.

The PRC subsidiaries of the Group are subject to the PRC EIT at 25% (2021: 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% (2021: 10%).

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for each of the years ended 31 December 2022 and 2021 has been based on the following data:

	2022	2021
	RMB'000	*RMB'000*
Earnings (Loss) for the purpose of basic earnings (loss) per share		
Earnings (Loss) for the year attributable to the owners of the Company	**2,615**	(2,043)
	'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 earnings per share for the year ended 31 December 2022 amounted to RMB0.65 cent (2021: loss per share of RMB0.51 cent) per share.

Diluted earnings per share is the same as basic earnings per share as there was no potential dilutive ordinary shares outstanding during the year ended 31 December 2022.

During the year ended 31 December 2021, potential dilutive ordinary shares were not included in the calculation of diluted loss per share because they were anti-dilutive. Therefore, the diluted loss per share equals the basic loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Building	Construction in progress	Leasehold improvement	Furniture and fixtures	Plant and equipment (including moulds)	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2021	15,937	–	–	450	18,907	1,080	36,374
Addition	4,934	–	66	–	1,648	91	6,739
Transfer to investment property	(20,871)	–	–	–	–	–	(20,871)
Written off	–	–	–	–	(788)	(79)	(867)
At 31 December 2021	–	–	66	450	19,767	1,092	21,375
At 1 January 2022	**–**	**–**	**66**	**450**	**19,767**	**1,092**	**21,375**
Addition	**–**	**19,908**	**–**	**–**	**488**	**–**	**20,396**
Disposal	**–**	**–**	**–**	**–**	**(563)**	**–**	**(563)**
At 31 December 2022	**–**	**19,908**	**66**	**450**	**19,692**	**1,092**	**41,208**
Accumulated depreciation:							
At 1 January 2021	7,483	–	–	408	13,772	852	22,515
Charge for the year	657	–	–	–	1,112	70	1,839
Transfer to investment property	(8,140)	–	–	–	–	–	(8,140)
Eliminated on written-off	–	–	–	–	(761)	(71)	(832)
At 31 December 2021	–	–	–	408	14,123	851	15,382
At 1 January 2022	**–**	**–**	**–**	**408**	**14,123**	**851**	**15,382**
Charge for the year	**–**	**–**	**13**	**–**	**1,088**	**89**	**1,190**
Disposal	**–**	**–**	**–**	**–**	**(505)**	**–**	**(505)**
At 31 December 2022	**–**	**–**	**13**	**408**	**14,706**	**940**	**16,067**
Carrying amounts:							
At 31 December 2022	**–**	**19,908**	**53**	**42**	**4,986**	**152**	**25,141**
At 31 December 2021	–	–	66	42	5,644	241	5,993

All the buildings are situated in the PRC and erected on leasehold land, as referred to note 11 below, at the year ended 31 December 2021.

During the year ended 31 December 2021, the Group's owner-occupied property, including the underlying land use rights, with net carrying amount of RMB14,057,000 were transferred to investment property upon commencement of an operating lease to an independent third party. Fair value of the owner-occupied property at the date of transfer amounted to RMB28,900,000, and a surplus on revaluation of RMB14,842,000 and the related deferred tax liabilities of RMB3,710,000 were dealt with property revaluation reserve.

During the year ended 31 December 2022, the Group entered into various agreements with the contractors and companies which the ultimate controlling shareholder of the Company has beneficial interest (the "**Payers**") pursuant to which advance payments for an aggregate amount of RMB19,908,000 had been paid by the Payers to the contractors on behalf of the Group in relation to the new production site which is located in Inner Mongolia for the silica sand business segment. All the aforesaid payments were recorded as construction in progress at 31 December 2022 and the Group had fully reimbursed the contractual payment of RMB19,908,000 to the Payers during the year ended 31 December 2022.

As at 31 December 2022, included in plant and equipment are moulds amounting to RMB1,097,000 (2021: RMB1,341,000), whose costs of RMB8,484,000 (2021: RMB8,484,000) are depreciated on a straight-line basis over their estimated useful lives of 10 years.

At the end of both reporting periods, there was no impairment of property, plant and equipment.

11. INVESTMENT PROPERTY

	RMB'000
Fair value	
At 1 January 2021	–
Transfer from property, plant and equipment	28,900
Increase in fair value recognised in profit or loss	100
At 31 December 2021 and 1 January 2022	**29,000**
Disposal of a subsidiary *(note 16)*	**(29,000)**
At 31 December 2022	–

During the year ended 31 December 2021, an owned 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 owned 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 capitalisation of the rental income under the term and reversion approach. The surplus of the fair value of the owner property over the carrying amount at the date of transfer of RMB14,842,000 and the related deferred tax liabilities of RMB3,710,000 were dealt with property revaluation reserve.

During the year ended 31 December 2022, the owned property was derecognised upon disposal of a subsidiary as further detailed in note 16 below.

12. RIGHT-OF-USE ASSETS

	2022	2021
	RMB'000	*RMB'000*
Cost		
At 1 January	**350**	1,890
Transfer to investment property	**–**	(1,890)
Additions arising from new leases	**8,281**	350
At 31 December	**8,631**	350
Accumulated depreciation		
At 1 January	**30**	530
Depreciation charged for the year	**192**	64
Transfer to investment property	**–**	(564)
At 31 December	**222**	30
Carrying amount	**8,409**	320

The analysis of the carrying amount of right-of-use assets by class of underlying assets is as follows:

	2022	2021
	RMB'000	*RMB'000*
Office premises leased for own use, carried at depreciated cost in Hong Kong, with remaining lease terms of more than 1 year and less than 5 years	**146**	320
Office premises leased for own use, carried at depreciated cost in the PRC, with remaining lease terms of more than 1 year and less than 5 years	**201**	–
Manufacturing premises leased for own use, carried at depreciated cost in the PRC, with remaining lease terms of more than 1 year and less than 5 years	**8,062**	–
	8,409	320

At the end of both reporting periods, there were no impairment recognised on the Group's right-of-use assets.

Restrictions or covenants

Most of the leases impose a restriction that, unless the approval is obtained from the lessor, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets.

13. CONTRACT ASSETS

	2022	2021
	RMB'000	*RMB'000*
Contract assets		
Retention monies receivables	**1,209**	1,704
Less: allowance for lifetime expected credit losses *(note 14(b))*	**(107)**	(56)
	1,102	1,648
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" *(note 14)*	**50,315**	46,133

Notes:

(a) 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 2022 and 2021, included in contract assets were retention monies receivable from the contract customers amounting to RMB1,209,000 and RMB1,704,000 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 represents 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.

(b) 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 2022, contract assets amounting to RMB107,000 (2021: RMB56,000) were determined to be impaired according to the lifetime expected credit loss rates and provision of impairment loss of RMB51,000 (2021: RMB15,000) was made on contract assets for the year ended 31 December 2022.

14. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**41,161**	42,845
Bills receivables	**17,863**	7,006
	59,024	49,851
Less: allowance for lifetime expected credit losses	**(8,709)**	(3,718)
Trade and bills receivables, net *(notes (a) and (b))*	**50,315**	46,133
Other receivables	**1,032**	861
Less: allowance for 12-month expected credit losses	**(471)**	(471)
Other receivables, net	**561**	390
Financial assets measured at amortised cost	**50,876**	46,523
Prepayments	**708**	342
	51,584	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 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. No provision for 12-month credit losses (2021: provision for 12-month credit losses of RMB385,000) on the other receivables has been made for the year ended 31 December 2022. 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:

	2022	2021
	RMB'000	*RMB'000*
0 – 30 days	**31,323**	20,216
31 – 90 days	**10,280**	12,811
91 – 180 days	**4,225**	9,950
181 – 365 days	**3,783**	3,043
Over 365 days	**704**	113
	50,315	46,133

The Group generally granted credit terms to its customers for trade and bills receivables ranging from cash on delivery to 180 days (2021: the same) after the 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

	2022	2021
	RMB'000	*RMB'000*
– Trade and bills receivables	**8,709**	3,718
– Contract assets *(note 13)*	**107**	56
	8,816	3,774

Movements in the allowance for lifetime expected credit losses

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**3,774**	3,500
Impairment loss recognised *(note 7(c))*		
– contract assets	**51**	15
– trade and bills receivables	**5,218**	259
	5,269	274
Bad debt written off	**(227)**	–
At 31 December	**8,816**	3,774

As at 31 December 2022, contract assets and trade and bills receivables amounting to RMB8,816,000 (2021: RMB3,774,000) 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 RMB5,269,000 (2021: RMB274,000) was recognised for the year ended 31 December 2022.

15. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**3,649**	11,379
Bills payables	**8,973**	4,383
Trade and bills payables *(note (a))*	**12,622**	15,762
Other payables		
Amount due to a former shareholder *(note (b))*	**–**	6,012
Amounts due to directors *(note (c))*	**606**	1,846
Amount due to a shareholder *(note (d))*	**586**	661
Employee benefits payables	**2,432**	3,642
Other tax payables	**1,685**	307
Accrual for professional services fee	**2,054**	807
Contract liabilities *(note (e))*	**992**	167
Others	**333**	649
	8,688	14,091
	21,310	29,853

(a) The credit period of trade payables normally varies from one to three months from the invoice date.

The credit period of bills payables is normally within 90 to 270 days. As at 31 December 2022 and 2021, the bills payables is expected to be settled within one year.

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

	2022	2021
	RMB'000	*RMB'000*
0 – 30 days	**10,986**	10,015
31 – 90 days	**900**	2,844
91 – 180 days	**93**	1,735
Over 180 days	**643**	1,168
	12,622	15,762

(b) Amount due to a former shareholder

	2022	2021
	RMB'000	*RMB'000*
Amount due to Singa Dragon International Ventures Limited	**–**	6,012

The amount due was unsecured, interest-free and the debt was wholly assigned to Yunhong Group Co., Limited, a shareholder of the Company, during the year.

(c) Amounts due to directors

	2022	2021
	RMB'000	*RMB'000*
Amount due to Li Yubao *(note (i))*	**–**	286
Amount due to Zhang Yaping *(note (ii))*	**606**	1,560
	606	1,846

(i) The amount due was unsecured, interest-free and wholly repaid during the year.

(ii) The amount due was unsecured, interest-free and has no fixed repayment term.

(d) Amount due to a shareholder

	2022	2021
	RMB'000	*RMB'000*
Amount due to Yunhong Group Co., Limited	**586**	661

The amount was unsecured, interest-free and has no fixed repayment term.

(e) Contract liabilities

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities – third parties	**992**	167

Contract liabilities primarily consist of the advance from customers for further goods to be provided.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2022	2021
	RMB'000	*RMB'000*
As at 1 January	**167**	369
Recognised as revenue	**(128)**	(369)
Receipt of advances or recognition of receivables	**953**	167
As at 31 December	**992**	167

For the year ended 31 December 2022, the increase in contract liabilities was mainly due to recognition of revenue, thereby increasing the amount arising from the receipt of advances or recognition receivables.

As at 31 December 2022, most of the contract liabilities are expected to be settled within next 12 months.

16. DISPOSAL OF A SUBSIDIARY

On 19 July 2022, Nantong Meigu, an indirect wholly-owned subsidiary of the Company, Chen Xiaosong ("**Purchaser A**") and Lu Yaliang ("**Purchaser B**"), both are independent third parties to the Company, entered into an equity transfer agreement pursuant to which Nantong Meigu conditionally agreed to sell and Purchaser A and Purchaser B conditionally agreed to purchase the 90% equity interests and 10% equity interests in Nantong Deerhui Precision Equipment Technology Co., Ltd. ("**Nantong Deerhui**") respectively, at a total consideration of approximately RMB31,000,000 (the "**Disposal**").

The principal activity of Nantong Deerhui is principally engaged in property investment. The Disposal was completed during the year ended 31 December 2022.

Summary of the effects of the disposal of Nantong Deerhui is as follows:

	RMB'000
Investment property *(note 11)*	**29,000**
Trade and other receivables	**2,327**
Income tax receivable	**1,452**
Deferred tax assets	**102**
Cash and cash equivalents	**162**
Deferred tax liabilities	**(3,735)**
Other payables	**(1,845)**
Net assets disposed of	**27,463**
Cash consideration received	**(31,000)**
Gain on disposal of a subsidiary	**(3,537)**

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.

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

Given that FRP delivers outstanding performance as a relatively new type of material and serves as a substitute for traditional materials such as wood, concrete and metal, along with 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. The growth is anticipated due to the 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. The Board believes that research and development capabilities are essential to the future growth of the Group. The Group will further enhance its research and development capabilities by controlling material sourcing, purchasing new equipment and engaging professionals and technicians for research and development in order to offer more competitive and high-quality products.

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 around the world. Over the past years, the Group has kept abreast of 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 Group is hopeful that performance of the Group's FRP products would be further enhanced in the coming years.

It is generally believed that effective marketing is important in capturing the market share and attracting potential customers and as such, for the year ended 31 December 2022, the Group continued to undertake 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. identifying 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 that may be resulted from the production process. During the year ended 31 December 2022, the Group had no material non-compliance or violation of any relevant laws and regulations of the PRC on environmental protection.

With the extensive experience and market recognition of products that the Group has accumulated for more than a decade, as well as the expanding 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 in order to capture the moderate growth of the FRP grating products market in the future.

During the year ended 31 December 2022, the Group has been constructing a new production site located in Inner Mongolia for the preparation of silica sand business segment. With the development of domestic glass, building material, petroleum and silicon chemical industries in the PRC over the years, the demand of the silica sand materials in domestic market is growing continuously. The Group plans to commence the production and sales of industrial silica sand materials in the second half of 2024, which is expected to bring remarkable economic benefits to the Group.

SALES PERFORMANCE

The Group recorded a consolidated revenue of approximately RMB62.3 million for the year ended 31 December 2022, representing a decrease of approximately RMB16.3 million or 20.7% compared to the year ended 31 December 2021. The decrease in revenue was mainly due to the decrease in sales of FRP grating products. Additionally, sales for the domestic market decreased by approximately 0.6% from approximately RMB51.7 million for the year ended 31 December 2021 to approximately RMB51.4 million for the year ended 31 December 2022. The domestic market contributed approximately 82.5% of total sales for the year ended 31 December 2022, which represented an increase of 16.8 percent points compared to approximately 65.7% for the year ended 31 December 2021.

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

	For the year ended 31 December			
	2022		2021	
	Sales revenue	**Gross profit margin**	Sales revenue	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
FRP grating products	**28,853**	**32.0**	41,188	26.0
Phenolic grating products	**21**	**29.5**	160	36.4
Epoxy wedge strip products	**33,413**	**19.1**	37,276	27.5
	62,287	**25.1**	78,624	26.7

FRP grating products were mainly sold to corporate customers in the PRC who are generally end-users of such products, as well as to distributors in the United States of America ("**U.S.**") and the United Kingdom ("**U.K.**") who purchase the products on per order basis with no distribution arrangement. The revenue generated from sales of FRP grating products decreased by approximately RMB12.3 million or 29.9% from approximately RMB41.2 million for the year ended 31 December 2021 to approximately RMB28.9 million for the year ended 31 December 2022. The decrease was primarily due to the decrease in revenue generated from the overseas markets. The gross profit margin increased by 6.0 percent points from 26.0% for the year ended 31 December 2021 to 32.0% for the year ended 31 December 2022, which was mainly attributable to the decrease in revenue arising from the lower gross profit margin of the overseas markets.

Epoxy wedge strip products were developed and targeted for manufacturers of wind turbine blades in the PRC. The revenue generated from sales of epoxy wedge strip products decreased by approximately RMB3.9 million from approximately RMB37.3 million for the year ended 31 December 2021 to approximately RMB33.4 million for the year ended 31 December 2022. The decrease was mainly due to receiving fewer construction contracts from manufacturers of wind turbine blades in the PRC during the year ended 31 December 2022, resulting in fewer sales order made to the Group by those manufacturers in the current year. The gross profit margin decreased by approximately 8.4 percent points from approximately 27.5% for the year ended 31 December 2021 to approximately 19.1% for the year ended 31 December 2022. The decrease in gross profit margin was attributable to the increase in cost of sales arising from the continuous rise in raw material prices under strain of the COVID-19 pandemic on the supply chain.

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

	For the year ended 31 December			
	2022		2021	
	Average selling price per unit	**Volume**	Average selling price per unit	Volume
	RMB		*RMB*	
FRP grating products	**405.8**	**71,094 m^2**	257.9	159,737 m^2
Phenolic grating products	**824.7**	**25 m^2**	519.5	308 m^2
Epoxy wedge strip products	**55.5**	**601,804 m**	57.4	649,826 m

The average selling price of the FRP grating products per square meter increased by approximately RMB147.9 per square meter or approximately 57.3% from RMB257.9 per square meter for the year ended 31 December 2021 to RMB405.8 per square meter for the year ended 31 December 2022, despite a decrease in sales volume of approximately 55.5% between the two years. The increase in average selling price was mainly due to the decrease in sales to overseas markets, as mentioned above, where the selling price to overseas customers was also typically lower than the sales in the domestic market.

The average selling price of the phenolic grating products per square meter increased by approximately 58.7% from RMB519.5 per square meter for the year ended 31 December 2021 to RMB824.7 per square meter for the year ended 31 December 2022, despite a decrease in sales volume of approximately 91.9% between the two years. The increase in average selling price was mainly due to the differences in product specifications, such as variation in shape, weight and dimension for the products sold during these two years.

The average selling price of the epoxy wedge strip products per meter decreased by approximately RMB1.9 per meter from RMB57.4 per meter for the year ended 31 December 2021 to RMB55.5 per meter for the year ended 31 December 2022, with a decrease in sales volume of approximately 7.4% between the two years. The decrease in average selling price was mainly due to the management's decision to lower the selling prices of the epoxy wedge strip products in order to remain competitive within the industry.

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

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong) (place of domicile)	**51,366**	51,675
U.S.	**2,470**	12,522
U.K.	**7,102**	8,174
Others	**1,349**	6,253
Total	**62,287**	78,624

Sales to the PRC market decreased by approximately 0.6% from approximately RMB51.7 million for the year ended 31 December 2021 to approximately RMB51.4 million for the year ended 31 December 2022. The decrease was mainly attributable to the reduction in sales of epoxy wedge strip products during the year ended 31 December 2022.

Sales to the U.S. market decreased by approximately 80.3% from approximately RMB12.5 million for the year ended 31 December 2021 to approximately RMB2.5 million for the year ended 31 December 2022. The decrease was mainly due to the higher import tariffs imposed by the U.S. government, which suppressed the demands for the Group's products in the U.S. market.

Sales to the U.K. market decreased by approximately 13.1% from approximately RMB8.2 million for the year ended 31 December 2021 to approximately RMB7.1 million for the year ended 31 December 2022. The decrease was mainly due to the decrease in sales orders from the major customers in the U.K. market resulting from the adverse impact of the global economy downturn.

OPERATING COSTS AND EXPENSES

Distribution costs decreased by approximately RMB2.2 million or 51.0% from approximately RMB4.3 million for the year ended 31 December 2021 to approximately RMB2.1 million for the year ended 31 December 2022. The decrease was mainly attributable to the decrease in custom fees from the export sales and a reduction in salesperson cost for the year ended 31 December 2022.

Administrative expenses decreased by approximately RMB4.0 million or 27.1% from approximately RMB14.9 million for the year ended 31 December 2021 to approximately RMB10.8 million for the year ended 31 December 2022. The decrease was mainly attributable to the reduction in write-down of inventories and a decrease in research and development expenses for the year ended 31 December 2022.

OPERATING RESULTS

The Group recorded a net profit of approximately RMB2.6 million for the year ended 31 December 2022, marking a profit turnaround from a net loss of approximately RMB2.0 million for the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations primarily through cash generated from operating activities. As at 31 December 2022, the Group did not have any bank borrowings.

CONTINGENT LIABILITIES

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB. The management of the Group has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign exchange risk during the business operation. The exposure of foreign exchange risk is mainly due to the purchase of the equipment from other countries and the management controls on the payment schedule to reduce the foreign exchange risk. Save for certain accounts receivables in U.S., the impact of foreign exchange risk on the Group was minimal and there was no significant adverse effect on normal operations. During the year ended 31 December 2022, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

CHARGES ON GROUP ASSETS

As at 31 December 2022, the Group did not pledge any of its assets (2021: an aggregate amount of RMB3,000,000 was placed in a bank account and pledged in favour of banks for bill issuance).

CAPITAL STRUCTURE

As at 31 December 2022, the share capital and total equity attributable to equity holders of the Company amounted to approximately RMB3,600,000 (2021: RMB3,600,000) and RMB70,861,000 (2021: RMB68,246,000) respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 65 employees (2021: 107). The total staff costs including Directors' remuneration for the year were approximately RMB10.9 million (2021: approximately RMB14.1 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

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 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 announcements dated 19 July 2022 and 16 November 2022 respectively; the Company's circular dated 15 September 2022; and disclosed in Note 16 to the consolidated financial statements in this announcement.

Save as the above, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2022.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries and affiliated companies as at 31 December 2022.

EVENT AFTER THE REPORTING PERIOD

The Group has no material subsequent event after 31 December 2022 and up to the date of this announcement.

SCOPE OF WORK OF THE AUDITOR

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

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance.

Throughout the year ended 31 December 2022, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code 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 2022.

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 year ended 31 December 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings 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. All Directors confirmed that they complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2022.

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 2022.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.nantongrate.com). The annual report of our Company for the year ended 31 December 2022 will be despatched to our Company's shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 17 January 2024

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. Lee Man Tai, Mr. Tam Tak Kei Raymond and Mr. Ng Sai Leung.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk 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.