

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)



INTERIM REPORT

2023



## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**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.**

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*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: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*





## RESULTS

The Board announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023, together with comparative unaudited figures for the corresponding periods in 2022 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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue</b>	3	<b>11,492</b>	10,247	<b>25,613</b>	23,341
Cost of sales		<b>(9,322)</b>	(7,863)	<b>(20,404)</b>	(17,632)
<b>Gross profit</b>		<b>2,170</b>	2,384	<b>5,209</b>	5,709
Other revenue	4	<b>29</b>	517	<b>43</b>	997
Other net gain	4	<b>283</b>	341	<b>300</b>	234
Distribution costs		<b>(579)</b>	(311)	<b>(1,233)</b>	(801)
Administrative expenses		<b>(1,745)</b>	(2,871)	<b>(4,288)</b>	(5,668)
<b>Profit from operations</b>		<b>158</b>	60	<b>31</b>	471
Finance costs	5(a)	<b>(71)</b>	(4)	<b>(149)</b>	(10)
<b>Profit (Loss) before taxation</b>		<b>87</b>	56	<b>(118)</b>	461
Income tax expenses	6	<b>(359)</b>	(345)	<b>(798)</b>	(624)
<b>Loss for the period</b>		<b>(272)</b>	(289)	<b>(916)</b>	(163)
<b>Other comprehensive income for the period</b>		-	-	-	-
<b>Total comprehensive expense for the period</b>		<b>(272)</b>	(289)	<b>(916)</b>	(163)
<b>Loss per share</b>		<b>RMB cent</b>	RMB cent	<b>RMB cent</b>	RMB cent
Basic and diluted	8	<b>(0.07)</b>	(0.07)	<b>(0.23)</b>	(0.04)





## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>At 30 June 2023</b>	At 31 December 2022
	<i>Notes</i>	<b>RMB'000 (Unaudited)</b>	<i>RMB'000 (Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>24,615</b>	25,141
Right-of-use assets		<b>6,956</b>	8,409
Deferred tax assets		<b>2,836</b>	2,836
		<b>34,407</b>	36,386
<b>Current assets</b>			
Inventories		<b>8,168</b>	9,058
Contract assets		<b>1,003</b>	1,102
Trade and other receivables	10	<b>50,339</b>	51,584
Cash and cash equivalents		<b>13,533</b>	13,655
		<b>73,043</b>	75,399
<b>Current liabilities</b>			
Trade and other payables	11	<b>21,496</b>	21,310
Lease liabilities		<b>2,752</b>	2,793
Income tax payable		<b>2,228</b>	4,643
		<b>26,476</b>	28,746
<b>Net current assets</b>		<b>46,567</b>	46,653
<b>Total assets less current liabilities</b>		<b>80,974</b>	83,039
<b>Non-current liabilities</b>			
Lease liabilities		<b>4,314</b>	5,642
Deferred tax liabilities		<b>6,715</b>	6,536
		<b>11,029</b>	12,178
<b>NET ASSETS</b>		<b>69,945</b>	70,861
<b>CAPITAL AND RESERVES</b>			
Share capital	12	<b>3,600</b>	3,600
Reserves		<b>66,345</b>	67,261
<b>TOTAL EQUITY</b>		<b>69,945</b>	70,861





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves						Sub-total	Total
	Share capital	Share premium	Capital reserve	Property revaluation reserve	Statutory reserve	Retained profits		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2022 (Audited)</b>	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)	-	-
<b>At 30 June 2022 (Unaudited)</b>	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>11,132</u>	<u>8,383</u>	<u>14,511</u>	<u>64,483</u>	<u>68,083</u>
<b>At 1 January 2023 (Audited)</b>	<b>3,600</b>	<b>20,900</b>	<b>9,557</b>	<b>-</b>	<b>8,707</b>	<b>28,097</b>	<b>67,261</b>	<b>70,861</b>
Loss and total comprehensive expense for the period	-	-	-	-	-	(916)	(916)	(916)
Transfer to statutory reserve	-	-	-	-	179	(179)	-	-
<b>At 30 June 2023 (Unaudited)</b>	<u><b>3,600</b></u>	<u><b>20,900</b></u>	<u><b>9,557</b></u>	<u><b>-</b></u>	<u><b>8,886</b></u>	<u><b>27,002</b></u>	<u><b>66,345</b></u>	<u><b>69,945</b></u>





## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Net cash generated from operating activities</b>	<b>1,359</b>	1,832
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(446)
Interest received	<b>37</b>	5
<b>Net cash generated from (used in) investing activities</b>	<b>37</b>	(441)
Cash flows from financing activities		
Proceeds from new bank borrowings	–	50
Capital element of lease rentals paid	<b>(1,369)</b>	(85)
Interest element of lease rentals paid	<b>(149)</b>	(7)
Interest payments	–	(3)
<b>Net cash used in financing activities</b>	<b>(1,518)</b>	(45)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(122)</b>	1,346
<b>Cash and cash equivalents at beginning of period</b>	<b>13,655</b>	8,220
<b>Cash and cash equivalents at end of period</b>	<b>13,533</b>	9,566





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 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. 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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results for the six months ended 30 June 2023 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 condensed consolidated results for the six months ended 30 June 2023 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2022.

The condensed consolidated results of the Group for the six months ended 30 June 2023 are unaudited but have been reviewed by the audit committee of the Company.





### 3. REVENUE

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>				
Sales of fiberglass reinforced plastic products				
– fiberglass reinforced plastic (“FRP”) grating	3,628	5,266	9,938	9,279
– epoxy wedge strip	7,864	4,981	15,675	14,062
	<u>11,492</u>	<u>10,247</u>	<u>25,613</u>	<u>23,341</u>
<b>Timing of revenue recognition</b>				
At a point in time	<u>11,492</u>	<u>10,247</u>	<u>25,613</u>	<u>23,341</u>

### 4. OTHER REVENUE AND OTHER NET GAIN

	For the three months ended 30 June		For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Other revenue</b>				
Interest income on bank deposits	29	3	37	5
Rental income from investment property	–	478	–	956
Sundries	–	36	6	36
	<u>29</u>	<u>517</u>	<u>43</u>	<u>997</u>
<b>Other net gain</b>				
Net foreign exchange gain	<u>283</u>	<u>341</u>	<u>300</u>	<u>234</u>







## 5. PROFIT (LOSS) BEFORE TAXATION

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

	For the three months ended 30 June		For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>(a) Finance costs</b>				
Interest on bank borrowings	–	–	–	3
Interest on lease liabilities	71	4	149	7
	<u>71</u>	<u>4</u>	<u>149</u>	<u>10</u>
<b>(b) Staff costs (including directors' emoluments)</b>				
Salaries, wages and other benefits	2,080	2,444	4,075	4,715
Contributions to defined contribution retirement plans	146	240	300	487
	<u>2,226</u>	<u>2,684</u>	<u>4,375</u>	<u>5,202</u>
<b>(c) Other items</b>				
Auditor's remuneration	225	–	450	–
Depreciation of right-of-use assets	726	43	1,453	87
Depreciation of property, plant and Equipment	238	343	482	657
Cost of inventories (note (i))	8,287	6,373	18,197	16,844
Research and development costs (note (ii))	263	773	519	1,223
	<u>263</u>	<u>773</u>	<u>519</u>	<u>1,223</u>

Notes:

- (i) Cost of inventories include approximately RMB1,797,000 (six months ended 30 June 2022: RMB2,571,000) relating to staff costs, and approximately RMB353,000 (six months ended 30 June 2022: RMB482,000) relating to depreciation for property, plant and equipment, the amounts of which are also included in the respective 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 RMB391,000 (six months ended 30 June 2022: RMB728,000) and costs of materials consumed of nil (six months ended 30 June 2022: RMB368,000), the amounts of which are also included in the respective 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Current tax</b>				
PRC Enterprise Income Tax ("EIT") on profits of the Group's subsidiary	278	315	618	527
<b>Deferred tax</b>				
Origination and reversal of temporary differences in respect of withholding tax on distributable profits of the Group's PRC Subsidiary	81	30	180	97
	<b>359</b>	345	<b>798</b>	624

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 2023 and the corresponding six months in 2022 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 2022: 25%). Dividends declared to Prosperous Composite Material Co., Ltd., as a non-resident shareholder, in respect of profits earned by Nantong Meigu Composite Materials Company Limited which is an indirect wholly-owned subsidiary of the Company, are subject to the PRC withholding tax at 10% (six months ended 30 June 2022: 10%).

## 7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).





## 8. LOSS PER SHARE

The calculation of the basic loss 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Loss for the purpose of basic loss per share</b>				
Loss for the period attributable to owners of Company	<b>(272)</b>	(289)	<b>(916)</b>	(163)
	<b>'000</b>	'000	<b>'000</b>	'000
<b>Number of shares</b>				
Number of shares at the beginning and the end of the reporting period and the weighted average number of shares	<b>400,000</b>	400,000	<b>400,000</b>	400,000

Basic loss per share for the six months ended 30 June 2023 amounted to RMB0.23 cent (six months ended 30 June 2022: RMB0.04 cent) per share.

Diluted loss per share is the same as the basic loss per share as there was no potential ordinary shares outstanding during the periods ended 30 June 2023 and 2022.

## 9. 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 operation decision maker 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.





The following is an analysis of the Group's revenue and results from operations:

	<b>For the six months ended 30 June 2023</b>			<b>Total RMB'000</b>
	<b>Fiberglass business RMB'000</b>	<b>Silica sand business RMB'000</b>	<b>Unallocated RMB'000</b>	
Reportable segment revenue	<b>25,613</b>	–	–	<b>25,613</b>
Reportable segment profit (loss)	<b>1,794</b>	–	<b>(2,710)</b>	<b>(916)</b>

For the six months ended 30 June 2022, 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 taxation are the measures reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

### 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.

	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
	<b>2023 RMB'000 (Unaudited)</b>	2022 RMB'000 (Unaudited)	<b>2023 RMB'000 (Unaudited)</b>	2022 RMB'000 (Unaudited)
<b>Local customers</b>				
The PRC (excluding Hong Kong) (place of domicile)	<b>9,967</b>	7,527	<b>21,466</b>	17,886
<b>Foreign customers</b>				
The United States of America	–	496	–	1,311
The United Kingdom	<b>1,357</b>	2,224	<b>2,730</b>	3,397
Others	<b>168</b>	–	<b>1,417</b>	747
	<b>1,525</b>	2,720	<b>4,147</b>	5,455
	<b>11,492</b>	10,247	<b>25,613</b>	23,341





## 10. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	<b>38,530</b>	41,161
Bills receivables	<b>18,205</b>	17,863
	<b>56,735</b>	59,024
Less: allowance for lifetime expected credit losses	<b>(8,709)</b>	(8,709)
Trade and bills receivables, net	<b>48,026</b>	50,315
Other receivables, net	<b>1,700</b>	561
Prepayments and deposits	<b>613</b>	708
	<b>50,339</b>	51,584

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:

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
0 – 30 days	<b>23,268</b>	31,323
31 – 90 days	<b>6,024</b>	10,280
91 – 180 days	<b>14,754</b>	4,225
181 – 365 days	<b>3,172</b>	3,783
Over 365 days	<b>808</b>	704
	<b>48,026</b>	50,315

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





## 11. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Trade payables	<b>2,532</b>	3,649
Bills payables	<b>10,023</b>	8,973
Total trade and bills payables (note (a))	<b>12,555</b>	12,622
Amounts due to directors (note (b))	<b>3,803</b>	606
Amount due to a shareholder (note (c))	<b>636</b>	586
Other payables	<b>4,502</b>	7,496
	<b>21,496</b>	21,310

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

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
0 – 30 days	<b>11,894</b>	10,986
31 – 90 days	<b>62</b>	900
91 – 180 days	<b>15</b>	93
Over 180 days	<b>584</b>	643
	<b>12,555</b>	12,622

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 30 June 2023 and 31 December 2022, the bills payables is expected to be settled within one year.





**(b) Amounts due to directors**

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Amount due to Li Yubao	<b>323</b>	–
Amount due to Zhang Yaping	<b>3,480</b>	606
	<b>3,803</b>	606

The amounts due were unsecured, interest-free and have no fixed repayment term.

**(c) Amount due to a shareholder**

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Amount due to Yunhong Group Co., Limited	<b>636</b>	586

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





## 12. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 30 June 2023 '000 (Unaudited)	As at 31 December 2022 '000 (Audited)	As at 30 June 2023 HK\$ '000 (Unaudited)	As at 31 December 2022 HK\$ '000 (Audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<b>2,000,000</b>	2,000,000	<b>20,000</b>	20,000
<b>Issued and fully paid:</b>			<b>RMB '000</b>	<b>RMB '000</b>
Ordinary shares of HK\$0.01 each	<b>400,000</b>	400,000	<b>3,600</b>	3,600

## 13. MATERIAL RELATED PARTY TRANSACTIONS

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	
	2023 RMB '000 (Unaudited)	2022 RMB '000 (Unaudited)	2023 RMB\$ '000 (Unaudited)	2022 RMB\$ '000 (Unaudited)
Short-term employee benefits	<b>411</b>	460	<b>850</b>	899
Post-employment benefits	<b>17</b>	31	<b>34</b>	63
	<b>428</b>	491	<b>884</b>	962







## MANAGEMENT DISCUSSION AND ANALYSIS

### Review and Prospects

The Group is principally engaged in (i) the research and development, production and sales of FRP products; and (ii) sales of industrial silica sand material in the PRC. For the six months ended 30 June 2023, the Group's major products consisted of: (i) FRP grating products; and (ii) epoxy wedge strip products.

FRP is widely applied in areas including building and construction field, 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 Groups is hopeful that performance of the Group's FRP products would be further enhanced in the coming years.

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.

The Group is currently 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 RMB25.6 million for the six months ended 30 June 2023, representing an increase of approximately RMB2.3 million or 9.7% as compared to the corresponding period in 2022. The increase in revenue was primarily driven by the increase in sales of both FRP grating products and epoxy wedge strip products. Moreover, sales for the domestic market increased by approximately 20.0% to approximately RMB21.5 million for the six months ended 30 June 2023 from approximately RMB17.9 million for the corresponding period in 2022. The domestic market contributed approximately 83.8% of the total sales for the six months ended 30 June 2023, which has increased by 7.2 percentage points in comparison with that of approximately 76.6% for the six months ended 30 June 2022.

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

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	Sales revenue RMB'000	Gross profit margin %	Sales revenue RMB'000	Gross profit margin %
FRP grating products	9,938	30.4	9,279	29.2
Epoxy wedge strip products	15,675	14.0	14,062	21.3
	<b>25,613</b>	<b>20.3</b>	<b>23,341</b>	<b>24.5</b>

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 and the United Kingdom who generally purchase the products on per purchase order basis with no distribution arrangement. The revenue derived from sales of FRP grating products increased by approximately RMB0.6 million or 7.1% from approximately RMB9.3 million for the six months ended 30 June 2022 to approximately RMB9.9 million for the six months ended 30 June 2023. This was mainly attributed to the increase in domestic sales orders as a result of the lifting of the COVID-19 pandemic related restriction in the PRC since December 2022. The gross profit margin increased by approximately 1.2 percentage points from 29.2% for the six months ended 30 June 2022 to 30.4% for the six months ended 30 June 2023, which was mainly attributable to the decrease in revenue from the overseas markets with lower gross profit margin.





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 increased by approximately RMB1.6 million or 11.5% from approximately RMB14.1 million for the six months ended 30 June 2022 to approximately RMB15.7 million for the six months ended 30 June 2023. This was mainly attributed to the lifting of the COVID-19 pandemic related restriction in the PRC since December 2022 and as a result, the domestic demand is increased. The gross profit margin decreased by approximately 7.3 percentage points from 21.3% for the six months ended 30 June 2022 to 14.0% for the six months ended 30 June 2023. The decrease in gross profit margin was attributable to the sharp increase in costs of raw materials.

### **Operating Costs and Expenses**

Distribution costs of the Group increased by approximately RMB0.4 million, or 53.9% to approximately RMB1.2 million for the six months ended 30 June 2023 from approximately RMB0.8 million for the six months ended 30 June 2022. The increase was mainly attributable to the increase in wages and salaries.

Administrative expenses decreased by approximately RMB1.4 million, or 24.3% to approximately RMB4.3 million for the six months ended 30 June 2023 from approximately RMB5.7 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in rental expense which was classified to cost of sales in this period.

### **Operating Results**

The Group recorded a net loss of approximately RMB0.9 million for the six months ended 30 June 2023 compared to a net loss of approximately RMB0.2 million for the six months ended 30 June 2022. This was largely attributed to the absence of the rental income from investment property, which was disposed in November 2022, in this period.





### **Liquidity and Financial Resources**

The Group financed its operations primarily through cash generated from operating activities. As at 30 June 2023, the Group did not have any bank borrowings.

### **Capital Structure**

As at 30 June 2023, the share capital and total equity attributable to equity holders of the Company amounted to approximately RMB3.6 million (31 December 2022: approximately RMB3.6 million) and approximately RMB69.9 million (31 December 2022: approximately RMB70.9 million) respectively.

### **Capital Commitments**

As at 30 June 2023, the Group had capital commitments contracted but not provided for of approximately RMB2.5 million (31 December 2022: approximately RMB2.5 million).

### **Contingent Liabilities**

As at 30 June 2023, the Group did not have contingent liabilities (31 December 2022: 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 six months ended 30 June 2023, 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 30 June 2023, the Group did not have charge on its assets (31 December 2022: Nil).

### **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 2023.

### **Employees, Remuneration Policies**

As at 30 June 2023, the Group had 70 employees (31 December 2022: 65). The total staff costs including Directors' remuneration for the six months ended 30 June 2023 were approximately RMB4.4 million (six months ended 30 June 2022: approximately RMB5.2 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 interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

### **EVENT AFTER THE REPORTING PERIOD**

The Group has no material subsequent event after 30 June 2023 and up to the date of this report.





## 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 2023, the interests and short positions of the Directors and chief executive of the Company in 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 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 of the Company

Name	Capacity/Nature of interest	Number of shares held/ interested in	Percentage of interest in the Company
Mr. Li Yubao (Note)	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 of the Company. Therefore, Mr. Li is deemed, or taken to be, interested in all the shares of the Company 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 2023, 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 AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, 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 of the Company 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	44,880,000	11.2%





Notes:

1. 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 of the Company held by LFB for the purposes of the SFO.
2. Mr. Wu holds approximately 93.67% equity interest in Yunhong, which in turn beneficially owns 40,000,000 shares of the Company (representing 10% of the total number of issued shares of the Company). Therefore, Mr. Wu is deemed or taken to be interested in the shares of the Company 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 of the Company held by Yunhong for the purpose of the SFO.

Save as disclosed above, as at 30 June 2023, 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 of the Company 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 SECURITIES**

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **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 2023.

## **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 2023.





## CORPORATE GOVERNANCE CODE

The Directors consider that the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules in the six months ended 30 June 2023.

## 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 Code 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 2023 have been reviewed by the audit committee.

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

Hong Kong, 29 January 2024

*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.hkexnews.hk](http://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](http://www.nantongrate.com).*

