



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

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

2022 THIRD QUARTERLY REPORT

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

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

Given the emerging nature of companies listed on GEM, 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 report, for which the board (the “Board”) of directors (the “Directors”) of Yunhong Guixin Group Holdings Limited (the “Company”) collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	16,264	20,255	39,605	55,074
Cost of sales		(11,587)	(14,327)	(29,219)	(40,587)
Gross profit		4,677	5,928	10,386	14,487
Other revenue	4	745	122	1,742	197
Other net gain/(loss)	4	241	175	475	(169)
Distribution costs		(686)	(1,236)	(1,487)	(3,376)
Administrative expenses		(3,100)	(4,524)	(8,768)	(9,064)
Profit from operations		1,877	465	2,348	2,075
Finance costs	5(a)	(36)	(44)	(46)	(170)
Profit before taxation	5	1,841	421	2,302	1,905
Income tax	6	(902)	(475)	(1,526)	(1,380)
Profit/(Loss) for the period		939	(54)	776	525
Other comprehensive income for the period		-	-	-	-
Total comprehensive income/ (loss) for the period attributable to owners of the Company		939	(54)	776	525
Earnings/(Loss) per share		RMB cent	RMB cent	RMB cent	RMB cent
Basic and diluted	8	0.23	(0.01)	0.19	0.13

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves							Sub-total	Total
	Share capital	Share premium	Capital reserve	Property revaluation reserve	Share-based payment reserve	Statutory reserve	Retained profits		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (Audited)	3,600	20,900	9,557	-	1,933	6,407	16,693	55,490	59,090
Profit and total comprehensive income for the period	-	-	-	-	-	-	525	525	525
Equity-settled share-based payments	-	-	-	-	67	-	-	67	67
Lapse of share-based payment arrangements	-	-	-	-	(2,000)	-	2,000	-	-
Transfer to statutory reserve	-	-	-	-	-	1,894	(1,894)	-	-
At 30 September 2021 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>-</u>	<u>-</u>	<u>8,301</u>	<u>17,324</u>	<u>56,082</u>	<u>59,682</u>
At 1 January 2022 (Audited)	3,600	20,900	9,557	11,132	-	8,287	14,770	64,646	68,246
Profit and total comprehensive income for the period	-	-	-	-	-	-	776	776	776
Transfer to statutory reserve	-	-	-	-	-	315	(315)	-	-
At 30 September 2022 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>11,132</u>	<u>-</u>	<u>8,602</u>	<u>15,231</u>	<u>65,422</u>	<u>69,022</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 GEM of the Stock Exchange since 13 January 2017. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is 66 South Oujiang Road, Haimen Economic Development Zone, Nantong City, Jiangsu Province, the People's Republic of China (the "PRC").

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

3. REVENUE

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

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Sales of fiberglass reinforced plastic ("FRP") products				
– FRP grating products	9,067	9,083	18,346	28,813
– Phenolic grating products	–	–	–	160
– Epoxy wedge strip products	7,197	11,172	21,259	26,101
	<u>16,264</u>	<u>20,255</u>	<u>39,605</u>	<u>55,074</u>

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

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other revenue				
Interest income on bank deposits	3	2	8	11
Government grants	–	120	–	120
Rental income from investment property	477	–	1,433	–
Profit on disposal of property held for sale	265	–	265	–
Sundry Income	–	–	36	66
	<u>745</u>	<u>122</u>	<u>1,742</u>	<u>197</u>
Other net gain/(loss)				
Net foreign exchange gain/(loss)	241	175	475	(169)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(a) Finance costs				
Interest on bank borrowings	33	44	36	170
Interest on lease liabilities	3	-	10	-
	<u>36</u>	<u>44</u>	<u>46</u>	<u>170</u>
(b) Staff costs (including directors' emoluments)				
Salaries, wages and other benefits	2,272	3,286	6,987	8,799
Contributions to defined contribution retirement plans	171	389	658	920
Equity-settled share-based payments	-	-	-	67
	<u>2,443</u>	<u>3,675</u>	<u>7,645</u>	<u>9,786</u>
(c) Other items				
Amortisation of a right-of-use asset	44	9	131	28
Depreciation for property, plant and equipment	317	438	974	1,407
Cost of inventories recognised as expense (Note (i))	11,118	16,102	27,962	42,023
Research and development costs (Note (ii))	331	2,436	1,554	3,908
	<u>331</u>	<u>2,436</u>	<u>1,554</u>	<u>3,908</u>

Notes:

- (i) Cost of inventories recognised as expenses include RMB3,816,000 (nine months ended 30 September 2021: RMB4,963,000) relating to staff costs, and RMB713,000 (nine months ended 30 September 2021: RMB999,000) relating to depreciation for property, plant and equipment, the amounts of which are also included in the total amount disclosed separately above for each of these types of expenses.
- (ii) Included in the research and development costs are staff cost of RMB996,000 (nine months ended 30 September 2021: RMB1,195,000) and cost of materials consumed RMB370,000 (nine months ended 30 September 2021: RMB2,615,000), the amount of which is also included in the total amount separately disclosed for this type of expense.

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

	For the nine months ended 30 September		For the nine months ended 30 September	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax				
PRC Enterprise Income Tax ("EIT") on profits of the Group's subsidiary	683	366	1,211	1,062
Deferred tax				
Origination and reversal of temporary differences in respect of withholding tax on distributable profits of the Group's PRC subsidiary	219	109	315	318
	902	475	1,526	1,380

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

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

7. DIVIDEND

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

8. EARNINGS/(LOSS) PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 RMB '000 (Unaudited)	2021 RMB '000 (Unaudited)	2022 RMB '000 (Unaudited)	2021 RMB '000 (Unaudited)
Profit/(loss) attributable to owners of Company for the purpose of calculating basic earnings/(loss) per share	<u>939</u>	<u>(54)</u>	<u>776</u>	<u>525</u>
	'000	'000	'000	'000
Number of shares Number of shares at the beginning and the end of the reporting period and the weighted average number of ordinary shares	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

No diluted earnings/(loss) per share was presented as there was no potential ordinary shares outstanding during the above periods.

9. MATERIAL RELATED PARTY TRANSACTIONS

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	450	306	1,349	904
Post-employment benefits	33	30	96	89
Equity-settled share-based payments	–	–	–	67
	<u>483</u>	<u>336</u>	<u>1,445</u>	<u>1,060</u>

- (b) Transactions with related parties

	For the three months ended 30 September		For the nine months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Rental expenses paid to Meigu New Materials (Nantong) Company Limited* (美国新材料(南通)有限公司) (Note)	595	–	1,785	–

Note:

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

* For identification only



MANAGEMENT DISCUSSION AND ANALYSIS


Review and Prospect

The Group is an established and leading manufacturer in the PRC engaged in the research and development, production and sale of a variety of FRP products. During the nine months ended 30 September 2022, the Group produced two major products: (i) FRP grating products; and (ii) epoxy wedge strip products.

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

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


For the nine months ended 30 September 2022, the Group recorded a sales revenue of approximately RMB39.6 million, which has slipped back substantially by approximately RMB15.5 million or 28.1% from that of approximately RMB55.1 million for the nine months ended 30 September 2021. This substantial reduction in the sales revenue was primarily driven by the decrease in sales revenue generated from sales of both FRP grating products and epoxy wedge strip products.



During the nine months ended 30 September 2022, the PRC government continued to implement a dynamic zero-COVID policy to fight against the COVID-19 pandemic, which largely minimised the widespread of coronavirus across the country. To cope with the COVID-19 situation in Shanghai earlier this year and other regions during these nine months' period, the PRC government has, on a number of occasions, implemented various stringent anti-epidemic measures (including traffic and travel control and other social distancing measures), which led to a stagnation of economic activities across the regions. Attributed to these harsh measures, the gross domestic product of the PRC only grew by 3% for the nine months ended 30 September 2022, down by about 6.8 percentage points as compared to that of 9.8% growth achieved in the nine months ended 30 September 2021. It appears that there should be a balance between containment of COVID-19 pandemic and resurrection of the domestic economic momentum as far as formulation of economic policies is concerned. However, at the 20th National Congress of the Chinese Communist Party, implementation of a dynamic zero-COVID policy is re-affirmed. It appears that resurrection of domestic economic momentum would take a longer period of time and the future ahead will be covered with brambles and challenges.

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

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



Given the resilience and potential of the PRC's economy in the long run, it is considered that stable growth would remain unchanged. Looking ahead, the Group remains prudent and optimistic about the prospects of its business in the long run. The Group will follow a cautious approach to ensure continuous, steady and effective business and operation development in 2023. While the Group is closely monitoring the latest development of the epidemic disease resulting from the spread of COVID-19 and its impact on the industry at large, it would adjust its strategies from time to time when required including exploring new revenue streams to lower the business risk.

Sales Performance

The Group posted a consolidated revenue of approximately RMB39.6 million for the nine months ended 30 September 2022, representing a decrease of approximately RMB15.5 million or 28.1% as compared to the corresponding period in 2021. The decrease in revenue was primarily driven by the decrease in sales revenue generated from sales of both FRP grating products and epoxy wedge strip products. Moreover, sales for the domestic market decreased by approximately 10.1% to approximately RMB31.1 million for the nine months ended 30 September 2022 from approximately RMB34.6 million for the corresponding period in 2021. The domestic market contributed approximately 78.6% of total sales for the nine months ended 30 September 2022, which has increased by 15.8 percentage points in comparison with that of approximately 62.8% for the nine months ended 30 September 2021.

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

	For the nine months ended 30 September 2022		For the nine months ended 30 September 2021	
	Sales revenue <i>RMB'000</i>	Gross profit margin %	Sales revenue <i>RMB'000</i>	Gross profit margin %
FRP grating products	18,346	32.3	28,813	25.4
Phenolic grating products	-	-	160	36.4
Epoxy wedge strip products	21,259	20.0	26,101	27.3
	39,605	26.2	55,074	26.3

FRP grating products were mainly sold to corporate customers in the PRC who generally are end-users of such products, as well as distributors in the U.S. and the United Kingdom ("U.K.") who generally buy the products on per purchase order basis with no distribution arrangement. Revenue derived from sales of FRP grating products decreased by 36.3% from approximately RMB28.8 million for the nine months ended 30 September 2021 to approximately RMB18.3 million for the nine months ended 30 September 2022. This was mainly attributed to the significant decrease in both domestic and overseas sales orders as a result of the drop in demands for the FRP grating products due to the rising prices caused by the increase in the costs of raw materials and transportation, which was primarily resulted from the adverse impact of the COVID-19 pandemic. The gross profit margin increased by 6.9 percentage points from 25.4% for the nine months ended 30 September 2021 to 32.3% for the nine months ended 30 September 2022, This was mainly attributable to the substantial reduction in the contribution of sales revenue from the overseas sales for the nine months ended 30 September 2022 as the gross profit margin for the overseas sales is generally lower than that of the domestic sales.

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

During the nine months ended 30 September 2022, sales of epoxy wedge strip products became the largest contributor to the Group's revenue and it accounted for approximately 53.7% of the total revenue. The percentage of contribution has increased by 6.3 percentage points in comparison with the corresponding nine months in 2021. Epoxy wedge strip products were developed and targeted for manufacturers of wind turbine blades in the PRC. The revenue derived from sales of epoxy strip products decreased by approximately RMB4.8 million or 18.6% from approximately RMB26.1 million for the nine months ended 30 September 2021 to approximately RMB21.3 million for the nine months ended 30 September 2022. For the nine months ended 30 September 2022, epoxy wedge products underwent a transition period whereby a number of new product specifications have been rolled out for approval and as such production of epoxy wedge products was slowed down pending approval of new product specifications. Nevertheless, it is noted that sales of this product item have increased by approximately 30.8% for the third quarter compared to that of the second quarter of 2022. It is expected that sales of this product item will be further increased in the last quarter of 2022. The gross profit margin dropped by 7.3 percentage points from 27.3% for the nine months ended 30 September 2021 to 20.0% for the nine months ended 30 September 2022. This was mainly attributable to the reduction in the average selling price.

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


	For the nine months ended 30 September 2022		For the nine months ended 30 September 2021	
	Average selling price per unit	Volume	Average selling price per unit	Volume
	RMB		RMB	
FRP grating products	386.8	47,428 m²	255.8	112,661 m ²
Phenolic grating products	-	-	519.5	308 m ²
Epoxy wedge strip products	49.1	433,105 m	59.2	440,757 m

The average selling price of the FRP grating products per m² increased by approximately RMB131.0 per m² or approximately 51.2% from RMB255.8 per m² for the nine months ended 30 September 2021 to RMB386.8 per m² for the nine months ended 30 September 2022, with a significant decrease in sales volume of approximately 57.9% in comparison between the two periods. The increase in average selling price was mainly due to the variations in the composition of higher priced FRP grating products sold in these two periods.

The average selling price of the epoxy wedge strip products per m decreased by approximately RMB10.1 per m from RMB59.2 per m for the nine months ended 30 September 2021 to RMB49.1 per m for the nine months ended 30 September 2022, with a reduction in sales volume of approximately 1.7% in comparison between the two periods. Selling prices of epoxy wedge strip products are to be reset and re-determined subsequent to tender bidding undertaken every year. Prices of the products would generally be lowered after tender bidding unless new customers are procured. As there is no new customer in the nine months ended 30 September 2022, lower average selling price was set.

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

	For the nine months ended 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
PRC	31,129	34,612
U.S.	2,069	9,664
U.K.	5,058	6,143
Others	1,349	4,655
	<hr/>	<hr/>
Total	39,605	55,074
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Sales to the PRC market decreased by approximately 10.1% from approximately RMB34.6 million for the nine months ended 30 September 2021 to approximately RMB31.1 million for the nine months ended 30 September 2022, which was mainly attributable to the significant decrease in sales of FRP grating products to PRC customers during the nine months ended 30 September 2022.

Sales to the U.S. market decreased by approximately 78.6% from approximately RMB9.7 million for the nine months ended 30 September 2021 to approximately RMB2.1 million for the nine months ended 30 September 2022, mainly because of the higher import tariffs and the adverse impact of the COVID-19 pandemic on the U.S. economy and market condition which suppressed the demands for the Group's products in the U.S. market.

Sales to the U.K. market decreased by approximately 17.7% from approximately RMB6.1 million for the nine months ended 30 September 2021 to approximately RMB5.1 million for the nine months ended 30 September 2022, mainly because of the decrease in sales orders from the major customers in the U.K. market resulting from the adverse impact of the COVID-19 pandemic.

Sales to the other locations decreased by approximately 71.0% from approximately RMB4.7 million for the nine months ended 30 September 2021 to approximately RMB1.3 million for the nine months ended 30 September 2022, mainly because of the decrease in sales orders from the customers in Denmark and Taiwan resulting from the adverse impact of the COVID-19 pandemic.

Distribution Costs

The selling and distribution costs decreased by approximately RMB1.9 million or 56.0% to approximately RMB1.5 million for the nine months ended 30 September 2022 from approximately RMB3.4 million for the nine months ended 30 September 2021. The decrease was mainly attributable to the decrease in wages and salaries, and customs declaration expenses.

Administrative Expenses

The administrative expenses decreased by approximately RMB0.3 million, or 3.3% to approximately RMB8.8 million for the nine months ended 30 September 2022 from approximately RMB9.1 million for the nine months ended 30 September 2021. The decrease was mainly attributable to the decrease in research and development expenses.

Finance Costs

The finance costs decreased by approximately RMB124,000, or 72.9% to approximately RMB46,000 for the nine months ended 30 September 2022 from approximately RMB170,000 for the nine months ended 30 September 2021. The decrease was mainly due to the repayment of bank loan during the year ended 31 December 2021.

Operating Results

The Group recorded a net profit of approximately RMB776,000 for the nine months ended 30 September 2022 compared to a net profit of approximately RMB525,000 for the nine months ended 30 September 2021. This was largely attributed to: (i) recognition of rental income from an investment property which was leased out in December 2021; and (iii) conscientious effort taken by the management to cut down the distribution costs for the nine months ended 30 September 2022.

Disposal of 100% Equity Interest in a Wholly Owned Subsidiary

On 19 July 2022, Nantong Meigu 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. The transaction has not been completed as at the date of this report.

Details of the above disposal were set out in the Company's announcement dated 19 July 2022 and the Company's circular dated 15 September 2022.

* for identification purposes only

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

(i) Long position in the Shares

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

Note:

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

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

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

Notes:

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

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

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

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

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

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

Notes:

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 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 (representing 10% of the total number of issued Shares). Therefore, Mr. Wu is deemed or taken to be interested in the Shares held by Yunhong for the purposes of the SFO. Among this 93.67% equity interest in Yunhong, 92% is held by Mr. Wu on behalf of Mr. Li pursuant to the nominee shareholding arrangements between Mr. Wu and Mr. Li. Hence, Mr. Li is regarded as the ultimate controlling shareholder of Yunhong and therefore Mr. Li is deemed or taken to be interested in the Shares held by Yunhong for the purpose of the SFO.

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the nine months ended 30 September 2022, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

Details of the material related party transactions are set out in note 12 of this report. Save as the transactions with Meigu New materials, the related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

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

During the nine months ended 30 September 2022, 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 nine months ended 30 September 2022.



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 nine months ended 30 September 2022.

CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

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

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

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

Chairman and Executive Director

Hong Kong, 8 November 2022

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

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