



# YUNHONG GUIXIN GROUP HOLDINGS LIMITED

## 運鴻硅鑫集團控股有限公司

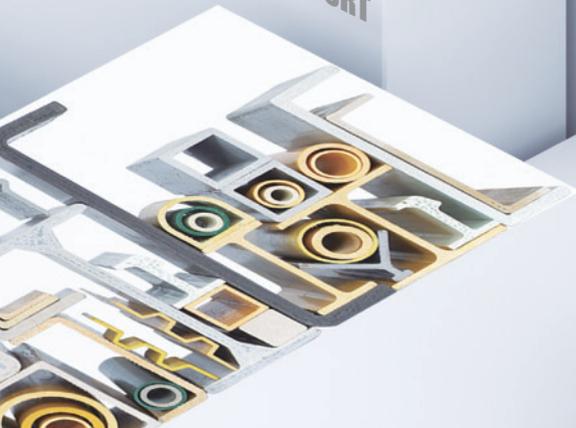
(formerly known as MEIGU Technology Holding Group Limited 美國科技控股集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8349)

# 2021

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 reports the unaudited results of the Company and its subsidiaries (the “**Group**”) for the three months and the nine months ended 30 September 2021, together with comparative unaudited figures for the same corresponding period in 2020 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	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Revenue</b>	3	<b>20,255</b>	31,930	<b>55,074</b>	68,938
<b>Cost of sales</b>		<b>(14,327)</b>	(21,311)	<b>(40,587)</b>	(45,014)
<b>Gross profit</b>		<b>5,928</b>	10,619	<b>14,487</b>	23,924
Other revenue	4	<b>122</b>	4	<b>197</b>	260
Other net (loss)/gain	4	<b>175</b>	(640)	<b>(169)</b>	(234)
Selling and distribution costs		<b>(1,236)</b>	(1,288)	<b>(3,376)</b>	(3,226)
Administrative expenses		<b>(4,524)</b>	(3,684)	<b>(9,064)</b>	(10,642)
<b>Profit from operations</b>		<b>465</b>	5,011	<b>2,075</b>	10,082
Finance costs	5(a)	<b>(44)</b>	(45)	<b>(170)</b>	(171)
<b>Profit before taxation</b>	5	<b>421</b>	4,966	<b>1,905</b>	9,911
Income tax	6	<b>(475)</b>	(1,854)	<b>(1,380)</b>	(3,876)
<b>(Loss)/Profit for the period</b>		<b>(54)</b>	3,112	<b>525</b>	6,035
<b>Other comprehensive (loss)/ income for the period</b>		-	-	-	-
<b>Total comprehensive (loss)/ income for the period attributable to owners of the Company</b>		<b>(54)</b>	3,112	<b>525</b>	6,035
<b>(Loss)/Earnings per share</b>		<b>RMB cent</b>	RMB cent	<b>RMB cent</b>	RMB cent
Basic and diluted	8	<b>(0.01)</b>	0.78	<b>0.13</b>	1.51

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves							Total
	Share capital	Share premium	Capital Reserve	Share-based payment reserve	Statutory reserve	Retained profits	Sub-total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2020 (Audited)</b>	3,600	20,900	9,557	1,533	5,327	12,224	49,541	53,141
Profit and total comprehensive income for the period	-	-	-	-	-	6,035	6,035	6,035
Equity-settled share-based payments	-	-	-	300	-	-	300	300
Transfer to statutory reserve	-	-	-	-	891	(891)	-	-
<b>At 30 September 2020 (Unaudited)</b>	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>1,833</u>	<u>6,218</u>	<u>17,368</u>	<u>55,876</u>	<u>59,476</u>
<b>At 1 January 2021 (Audited)</b>	<b>3,600</b>	<b>20,900</b>	<b>9,557</b>	<b>1,933</b>	<b>6,407</b>	<b>16,693</b>	<b>55,490</b>	<b>59,090</b>
Profit and total comprehensive income for the period	-	-	-	-	-	525	525	525
Equity-settled share-based payments	-	-	-	67	-	-	67	67
Transfer to retained profits	-	-	-	(2,000)	-	2,000	-	-
Transfer to statutory reserve	-	-	-	-	1,894	(1,894)	-	-
<b>At 30 September 2021 (Unaudited)</b>	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>-</u>	<u>8,301</u>	<u>17,324</u>	<u>56,082</u>	<u>59,682</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 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 period, the principal business was carried out through Nantong Meigu Composite Materials Company Limited ("**Nantong Meigu**"), which is an indirect wholly-owned subsidiary of the Company incorporated in the PRC.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited consolidated results for the nine months ended 30 September 2021 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 ("**HKICPA**").

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

The accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 30 September 2021 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2020.

The consolidated results of the Group for the nine months ended 30 September 2021 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 sales 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Sales of fiberglass reinforced plastic ("FRP") products</b>				
– FRP grating products	9,083	13,874	28,813	31,913
– Phenolic grating products	–	–	160	163
– Epoxy wedge strip products	11,172	18,056	26,101	36,862
	<u>20,255</u>	<u>31,930</u>	<u>55,074</u>	<u>68,938</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.

The geographical locations of property, plant and equipment, and right-of-use asset are based on the physical location of the assets under consideration. During the reporting period, all property, plant and equipment, and right-of-use asset were located in the PRC.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Other revenue</b>				
Interest income on bank deposits	2	4	11	22
Government grants	120	–	120	228
Sundry Income	–	–	66	10
	<u>122</u>	<u>4</u>	<u>197</u>	<u>260</u>
<b>Other net (loss)/gain</b>				
Net foreign exchange (loss)/gain	175	(640)	(169)	(234)
	<u>175</u>	<u>(640)</u>	<u>(169)</u>	<u>(234)</u>

## 5. PROFIT BEFORE TAXATION

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>(a) Finance costs</b>				
Interest on bank borrowings	<u>44</u>	<u>45</u>	<u>170</u>	<u>171</u>
<b>(b) Staff costs (including directors' emoluments)</b>				
Salaries, wages and other benefits	<u>3,286</u>	<u>3,000</u>	<u>8,799</u>	<u>8,508</u>
Contributions to defined contribution retirement plans	<u>389</u>	<u>126</u>	<u>920</u>	<u>370</u>
Equity-settled share-based payments	<u>-</u>	<u>100</u>	<u>67</u>	<u>300</u>
	<u><u>3,675</u></u>	<u><u>3,226</u></u>	<u><u>9,786</u></u>	<u><u>9,178</u></u>
<b>(c) Other items</b>				
Amortisation of a right-of-use asset	<u>9</u>	<u>9</u>	<u>28</u>	<u>28</u>
Depreciation for property, plant and equipment	<u>438</u>	<u>501</u>	<u>1,407</u>	<u>1,581</u>
Cost of inventories recognised as expense (Note (i))	<u>16,102</u>	<u>21,226</u>	<u>42,023</u>	<u>46,018</u>
Research and development costs (Note (ii))	<u>2,436</u>	<u>1,445</u>	<u>3,908</u>	<u>4,249</u>

Notes:

- (i) Cost of inventories recognised as expenses include RMB4,963,000 (nine months ended 30 September 2020: RMB4,987,000) relating to staff costs, and RMB999,000 (nine months ended 30 September 2020: RMB1,153,000) 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 RMB1,195,000 (nine months ended 30 September 2020: RMB1,057,000) and cost of materials consumed of RMB2,615,000 (nine months ended 30 September 2020: RMB3,054,000), 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 three months ended 30 September		For the nine months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Current tax</b>				
PRC Enterprise Income Tax ("EIT") on profits of the Group's subsidiary	366	1,427	1,062	2,982
<b>Deferred tax</b>				
Origination and reversal of temporary differences in respect of withholding tax on distributable profits of the Group's PRC subsidiary	109	427	318	894
	<u>475</u>	<u>1,854</u>	<u>1,380</u>	<u>3,876</u>

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 2021 and the corresponding nine months in 2020 as the Group did not have assessable profits subject to Hong Kong profits tax during the aforesaid periods.

Nantong Meigu, a PRC subsidiary, is subject to PRC EIT at 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 quarterly dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil).

## 8. (LOSS)/EARNINGS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(Loss)/profit attributable to owners of Company for the purpose of calculating basic earnings per share	<u>(54)</u>	<u>3,112</u>	<u>525</u>	<u>6,035</u>
	'000	'000	'000	'000
<b>Number of shares</b> Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

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

## 9. MATERIAL RELATED PARTY TRANSACTIONS

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short-term employee benefits	306	294	904	886
Post-employment benefits	30	11	89	42
Equity-settled share-based payments	–	100	67	300
	<u>336</u>	<u>405</u>	<u>1,060</u>	<u>1,228</u>

## 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 2021, the Group produced three major products: (i) FRP grating products; (ii) phenolic grating products; and (iii) epoxy wedge strip products.

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

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

For the nine months ended 30 September 2021, the gross domestic product (the “GDP”) of the PRC grew by 9.8% as compared to the corresponding period in 2020. Although this growth rate has slipped behind from that of 12.7% recorded in the first half year of 2021, it is still considered as an acceptable growth rate reflecting a recovery from the dramatic impact of the COVID-19 pandemic in early 2020 and the continued momentum of the world’s second largest economy. It also marks a pleasing turnaround from the corresponding nine months in 2020 when the PRC economy was still under the turmoil of the COVID-19 pandemic which only increased the GDP slightly by 0.7%. Whilst the PRC’s economy marks a pleasing turnaround and various overseas countries are gradually relaxing their travel restrictions and quarantine requirements with higher vaccination rate achieved, it appears that the global economy has not yet recovered from the adverse impact of the COVID-19 pandemic. The foundation for domestic economic recovery is not yet solid, and some service industries, small and medium-sized enterprises are still facing difficulties in their productions and operations.

In view of the uncertainty of the global economy ahead, the Group will continue to enhance its product recognition by improving production technology in order to maintain effective cost control and strengthen the competitiveness. Meanwhile, the Group will recruit more talents to fulfill its development and expansion.

### Sales Performance

The Group posted a consolidated revenue of approximately RMB55.1 million for the nine months ended 30 September 2021, representing a decrease of approximately RMB13.9 million or 20.1% as compared to the corresponding period in 2020. 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 18.8% to approximately RMB34.6 million for the nine months ended 30 September 2021 from approximately RMB42.6 million for the corresponding period in 2020. The domestic market contributed approximately 62.8% of total sales for the nine months ended 30 September 2021, which has increased by 1 percentage point in comparison with that of approximately 61.8% for the nine months ended 30 September 2020.

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

	<b>For the nine months ended 30 September 2021</b>		For the nine months ended 30 September 2020	
	<b>Sales revenue RMB'000</b>	<b>Gross profit margin %</b>	Sales revenue RMB'000	Gross profit margin %
FRP grating products	<b>28,813</b>	<b>25.4</b>	31,913	33.0
Phenolic grating products	<b>160</b>	<b>36.4</b>	163	39.8
Epoxy wedge strip products	<b>26,101</b>	<b>27.3</b>	36,862	36.1
	<b>55,074</b>	<b>26.3</b>	68,938	34.7

During the nine months ended 30 September 2021, sales of FRP grating products was the largest contributor to the Group's revenue and it accounted for approximately 52.3% of the total revenue. The percentage of contribution has increased by 6 percentage points in comparison with the corresponding nine months in 2020. FRP grating products were mainly sold to corporate customers in the PRC who generally are end-users of such products, as well as distributors in the United States of America ("**U.S.**") and the United Kingdom ("**U.K.**") who generally buy the products on per purchase order basis with no distribution arrangement. Revenue derived from sales of FRP grating products decreased by 9.7% from approximately RMB31.1 million for the nine months ended 30 September 2020 to approximately RMB28.8 million for the nine months ended 30 September 2021. This was mainly due to the decrease in sales revenue in the overseas markets. The gross profit margin decreased by 7.6 percentage points from 33.0% for the nine months ended 30 September 2020 to 25.4% for the nine months ended 30 September 2021, which was mainly attributable to the increase in costs of raw materials amidst the rupture of the worldwide supply chain caused by the widespread of the COVID-19 pandemic.

Phenolic grating products were generally sold to shipbuilders and offshore oilfields construction companies in the PRC. Revenue generated from sales of phenolic grating products decreased slightly by approximately 1.8% from approximately RMB163,000 for the nine months ended 30 September 2020 to approximately RMB160,000 for the nine months ended 30 September 2021 as compared to the corresponding period in 2020. The gross profit margin decreased by approximately 3.4 percentage points from approximately 39.8% for the nine months ended 30 September 2020 to approximately 36.4% for the nine months ended 30 September 2021. This was mainly due to the increase in costs of raw materials as mentioned above.

Epoxy wedge strip products were developed and targeted for manufacturers of wind turbine blades in the PRC. The revenue derived from sales of epoxy strip products decreased by approximately RMB10.8 million or 29.2% from approximately RMB36.9 million for the nine months ended 30 September 2020 to approximately RMB26.1 million for the nine months ended 30 September 2021. This was mainly due to the sharp increase in costs of raw materials for certain downstream customers who were very conservative in placing orders. The gross profit margin dropped by 8.8 percentage points from 36.1% for the nine months ended 30 September 2020 to 27.3% for the nine months ended 30 September 2021. This decrease in gross profit margin was attributable to the increase in costs of raw materials as mentioned above and the relative increase in the fixed costs of production per unit resulting from the reduction in production volume.

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

	<b>For the nine months ended 30 September 2021</b>		For the nine months ended 30 September 2020	
	<b>Average selling price per unit RMB</b>	<b>Volume</b>	Average selling price per unit RMB	Volume
FRP grating products	<b>255.8</b>	<b>112,661 m<sup>2</sup></b>	281.9	113,216 m <sup>2</sup>
Phenolic grating products	<b>519.5</b>	<b>308 m<sup>2</sup></b>	569.8	287 m <sup>2</sup>
Epoxy wedge strip products	<b>59.2</b>	<b>440,757 m</b>	69.2	533,050 m

The average selling price of the FRP grating products per m<sup>2</sup> dropped by approximately RMB26.1 per m<sup>2</sup> or approximately 9.3% from RMB281.9 per m<sup>2</sup> for the nine months ended 30 September 2020 to RMB255.8 per m<sup>2</sup> for the nine months ended 30 September 2021, with a slightly decrease in sales volume of approximately 0.5% in comparison between the two periods. The decrease in average selling price was mainly due to the variations in the composition of lower priced FRP grating products sold.

The average selling price of the phenolic grating products per m<sup>2</sup> decreased by approximately 8.8% from RMB569.8 per m<sup>2</sup> for the nine months ended 30 September 2020 to RMB519.5 per m<sup>2</sup> for the nine months ended 30 September 2021, with an increase in sales volume of approximately 7.3% in comparison between the two periods. The decrease in average selling price was mainly due to the differences in product specifications in relation to different shapes, weight and dimension for the products sold in these two periods.

The average selling price of the epoxy wedge strip products per m decreased by approximately RMB10 per m from RMB69.2 per m for the nine months ended 30 September 2020 to RMB59.2 per m for the nine months ended 30 September 2021, with a reduction in sales volume of approximately 17.3% in comparison between the two periods. As the whole industry is suffering from the reduction in orders, our manufacturing plant has no other alternative but to follow our peer to cut down the selling prices of the epoxy wedge strip products.

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

	<b>For the nine months ended 30 September</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
PRC	<b>34,612</b>	42,601
U.S.	<b>9,664</b>	11,473
U.K.	<b>6,143</b>	9,742
Others	<b>4,655</b>	5,122
Total	<b>55,074</b>	68,938

Sales to the PRC market decreased by approximately 18.8% from approximately RMB42.6 million for the nine months ended 30 September 2020 to approximately RMB34.6 million for the nine months ended 30 September 2021, which was mainly attributable to the reduction in sales of epoxy wedge strip products to the PRC customers during the nine months ended 30 September 2021.

Sales to the U.S. market decreased by approximately 15.8% from approximately RMB11.5 million for the nine months ended 30 September 2020 to approximately RMB9.7 million for the nine months ended 30 September 2021, mainly because of the higher import tariffs and the adverse impact of the COVID-19 pandemic on the U.S. economy and market condition which suppressed the demands for the Group's products in the U.S. market.

Sales to the U.K. market decreased by approximately 36.9% from approximately RMB9.7 million for the nine months ended 30 September 2020 to approximately RMB6.1 million for the nine months ended 30 September 2021, mainly because of the decrease in sales orders from the major customers in the U.K. market resulting from the adverse impact of the COVID-19 pandemic.

Sales to the other locations decreased by approximately 9.1% from approximately RMB5.1 million for the nine months ended 30 September 2020 to approximately RMB4.7 million for the nine months ended 30 September 2021, mainly because of the decrease in sales orders from the customers in Belgium and Canada resulting from the adverse impact of the COVID-19 pandemic.

### **Selling and distribution costs**

The selling and distribution costs increased by approximately RMB150,000 or 4.7% to approximately RMB3.4 million for the nine months ended 30 September 2021 from approximately RMB3.2 million for the nine months ended 30 September 2020. The increase was mainly attributable to the increase in staff costs.

### **Administrative expenses**

The administrative expenses decreased by approximately RMB1.6 million, or 14.8% to approximately RMB9.1 million for the nine months ended 30 September 2021 from approximately RMB10.6 million for the nine months ended 30 September 2020. The decrease was mainly attributable to the decrease in printing expenses.

### **Finance costs**

Finance costs was approximately RMB170,000 for the nine months ended 30 September 2021 comparing to approximately RMB171,000 for nine months ended 30 September 2020. The amounts remained relatively stable in comparison between the two periods.

### **Operating results**

Profit before taxation decreased by approximately 80.8% from approximately RMB9.9 million for the nine months ended 30 September 2020 to approximately RMB1.9 million for the nine months ended 30 September 2021. The reduction in profit before taxation was primarily attributable to: (i) the reduction in the sales of the Group's products by approximately 20.1% from approximately RMB68.9 million for the nine months ended 30 September 2020 to approximately RMB55.1 million for the nine months ended 30 September 2021 due to the adverse impact of the COVID-19 pandemic which suppressed the demands of the Group's products; and (ii) the decrease in gross profit margin of approximately 8.4 percentage points for the products sold by the Group during the nine months ended 30 September 2021, which was resulted from the drastic increase in the costs of raw materials amidst the rupture of the worldwide supply chain caused by the COVID-19 pandemic.

### **Change in shareholding structure**

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

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

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

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

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

### **Change of directors, chairman of the board, chief executive officer and composition of the board committees**

On 30 June 2021, the Board announced the following changes in the composition of the Board with effect from 30 June 2021:

1. Mr. Jiang Guitang (姜桂堂) has resigned as an executive Director, the chief executive officer and a member of the remuneration committee of the Company (the **"Remuneration Committee"**);
2. Mr. Cheng Dong (成東) has resigned as an executive Director, the chairman of the Board and a member of each of the nomination committee (the **"Nomination Committee"**) and the risk management committee (the **"Risk Management Committee"**) of the Company;
3. Mr. Huang Xin (黃昕) has resigned as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Remuneration Committee and the audit committee of the Company (the **"Audit Committee"**).
4. Mr. Li Yubao (李玉保) has been appointed as an executive Director, the chairman of the Board and a member of the Risk Management Committee;
5. Ms. Zhang Yaping (張亞平) has been appointed as an executive Director, the chief executive officer and a member of each of the Remuneration Committee and the Nomination Committee; and
6. Mr. Lee Man Tai (李文泰) has been appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee.

Detailed information in relation to the above changes in the composition of the Board was set out in the Company's announcement dated 30 June 2021.

### **Change of company name**

Pursuant to a special resolution passed at the extraordinary general meeting held on 23 August 2021, the Company changed its name from its English name from “MEIGU Technology Holding Group Limited” to “Yunhong Guixin Group Holdings Limited” and the dual foreign name in Chinese of the Company from “美固科技控股集團有限公司” to “運鴻硅鑫集團控股有限公司” (**“Change of Company Name”**) effective from 30 August 2021 following the procurement of Certificate of Incorporation on Change of Name from the Registrar of Companies in the Cayman Islands.

Following the Change of Company Name, the stock short name of the Company for trading in the shares of the Company on the Stock Exchange has changed from “MEIGU TECH” to “GUIXIN GROUP” in English and from “美固科技控股” to “硅鑫集團” in Chinese with effect from 9:00 a.m. on 12 October 2021. The stock code of the Company remains unchanged. The Company has ceased to use its logo with effect from 7 October 2021.

For details, please refer to the announcement of the Company dated 22 July 2021, the circular of the Company dated 4 August 2021, the poll results announcement of the Company dated 23 August 2021 and the announcement of the Company dated 7 October 2021.

The Board believes that the new name of the Company will not only provide the Company with fresh corporate identity, but will also better reflect the relationship between the Company and LFB, the new controlling shareholder of the Company. The Board considers that the Change of Company Name is in the best interests of the Company and the shareholders of the Company as a whole.

## 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 2021, 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:

### Long position in the Shares

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

*Note:*

Mr. Li is the ultimate controlling shareholder of LFB and 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.

## Long position in the ordinary shares of associated corporations

Name of Director	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 2021, 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, 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 2021, 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	64,880,000	16.2%
Mr. Yan Qixu	Beneficial owner	31,880,000	8.0%

### Notes:

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



Save as disclosed above, as at 30 September 2021, 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 2021, 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 9 to the condensed consolidated financial statements of this report. These 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 2021, 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 controlling shareholders of the Company, namely Mr. Li, LFS and LFB, 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 2021 and up to the date of this report.

## **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 confirmed that they have complied with such code of conduct and the required standard of dealings in the nine months ended 30 September 2021.

## 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 2021.

## 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, 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 2021 have been reviewed by the audit committee.

By order of the Board

**Yunhong Guixin Group Holdings Limited**

**Li Yubao**

*Chairman & Executive Director*

Hong Kong, 9 November 2021

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

*This report will remain on the Stock Exchange's website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Listed Company Information" page for 7 days from the date of its posting and on the website of the Company at [www.nantongrate.com](http://www.nantongrate.com).*