



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 FIRST 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 small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the board (the “Board”) of directors (the “Directors”) of Yunhong Guixin Group Holdings Limited (the “Company”) collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief 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 ended 31 March 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

		For the three months ended 31 March	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	<i>Notes</i>		
Revenue	3	13,094	13,623
Cost of sales		(9,769)	(10,468)
Gross profit		3,325	3,155
Other revenue	4	480	4
Other net loss	4	(107)	(154)
Distribution costs		(490)	(948)
Administrative expenses		(2,797)	(2,375)
Profit/(Loss) from operations		411	(318)
Finance costs	5(a)	(6)	(63)
Profit/(Loss) before taxation	5	405	(381)
Income tax	6	(279)	(87)
Profit/(Loss) for the period		126	(468)
Other comprehensive income for the period		-	-
Total comprehensive income/(expense) for the period		126	(468)
		RMB cent	RMB cent
Earnings/(Loss) per share			
Basic and diluted	8	0.03	(0.12)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves								Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Property revaluation reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	
At 1 January 2021 (Audited)	3,600	20,900	9,557	-	1,933	6,407	16,693	55,490	59,090
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(468)	(468)	(468)
Equity-settled share-based payments	-	-	-	-	100	-	-	100	100
Transfer to statutory reserve	-	-	-	-	-	94	(94)	-	-
At 31 March 2021 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>-</u>	<u>2,033</u>	<u>6,501</u>	<u>16,131</u>	<u>55,122</u>	<u>58,722</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	-	-	-	-	-	-	126	126	126
Equity-settled share-based payments	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	67	(67)	-	-
At 31 March 2022 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>11,132</u>	<u>-</u>	<u>8,354</u>	<u>14,829</u>	<u>64,772</u>	<u>68,372</u>



Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares have been listed on the GEM of the Stock Exchange since 13 January 2017. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350 Grand Cayman KY1-1108, the Cayman Islands and its principal place of business is 66 South Oujiang Road, Haimen Economic Development Zone, Nantong City, Jiangsu Province, the People's Republic of China (the "PRC").

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited consolidated results for the three months ended 31 March 2022 have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

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

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 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 three months ended 31 March 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 31 March	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of fiberglass reinforced plastic		
– Fiberglass reinforced plastic (“FRP”) grating	4,013	6,710
– Epoxy wedge strip	9,081	6,913
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	13,094	13,623
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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 LOSS

	For the three months ended 31 March	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other revenue		
Interest income on bank deposits	2	4
Rental income from investment property	478	–
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	480	4
	<hr/> <hr/>	<hr/> <hr/>
Other net loss		
Net foreign exchange loss	(107)	(154)
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5. PROFIT/(LOSS) BEFORE TAXATION

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

	For the three months ended 31 March	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest on bank borrowings	3	63
Interest on lease liabilities	3	–
	6	63
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	2,271	2,668
Contributions to defined contribution retirement plans	247	232
Equity-settled share-based payments	–	100
	2,518	3,000
(c) Other items		
Amortisation for a right-of-use asset	44	9
Depreciation for property, plant and equipment	314	477
Cost of inventories recognised as expense (note (i))	10,471	10,530
Research and development costs (note (ii))	450	900

Notes:

- (i) Cost of inventories recognised as expenses include approximately RMB1,208,000 (three months ended 31 March 2021: RMB1,424,000) relating to staff costs, and approximately RMB242,000 (three months ended 31 March 2021: RMB335,000) relating to depreciation for property, plant and equipment, the amounts of which are also included in the total amount disclosed separately above for each of these types of expenses.
- (ii) Including in the research and development costs are staff cost of approximately RMB377,000 (three months ended 31 March 2021: RMB406,000) and costs of materials consumed of approximately RMB9,000 (three months ended 31 March 2021: RMB449,000), the amounts of which are also included in the total amount separately disclosed for 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 31 March	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax (“EIT”) on profits of the Group’s subsidiary	212	67
Deferred tax		
Origination and reversal of temporary differences in respect of withholding tax on distributable profits of the Group’s PRC subsidiary	67	20
	279	87

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 three months ended 31 March 2022 and the corresponding three 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% (three months ended 31 March 2021: 25%). Dividends declared to Prosperous Composite Material Co., Ltd., as a non-resident shareholder, in respect of profits earned by Nantong Meigu, are subject to the PRC withholding tax at 10%.

7. DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 31 March 2022 (three months ended 31 March 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 31 March	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the purpose of basic earnings/(loss) per share		
Profit/(loss) attributable to owners of Company	126	(468)
	'000	'000
Number of shares		
Number of shares at the beginning and the end of the reporting period and the weighted average number of shares	400,000	400,000

Basic earnings/(loss) per share for the three months ended 31 March 2022 amounted to RMB0.03 cent (three months ended 31 March 2021: RMB(0.12 cent)) per share.

No diluted earnings/(loss) per share was presented as there was no potential ordinary shares outstanding during the periods ended 31 March 2022 and 2021.

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 31 March	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	439	300
Post-employment benefits	32	40
Equity-settled share-based payments	–	100
	<u>471</u>	<u>440</u>

- (b) Transactions with related parties:

	For the three months ended 31 March	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental expenses paid to Meigu New Materials (Nantong) Company Limited* (美国新材料(南通)有限公司) (Note)	<u>546</u>	<u>–</u>

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 former Director in the last 12 months, therefore a connected person of the Company, has an ultimate beneficial interest. The rental expenses were related to renting of a new production plant for the manufacturing operations undertaken by the Group. This is a connected transaction which falls within the de minimis provision under Rule 20.74(1) of the GEM Listing Rules. The transaction is fully exempt.

* For identification only



MANAGEMENT DISCUSSION AND ANALYSIS

Review and Prospects

The Group is an established and leading manufacturer in the PRC engaged in the research and development, production and sale of a variety of FRP products. For the three months ended 31 March 2022, the Group's major products consisted of: (i) FRP grating products; and (ii) epoxy wedge strip products.

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

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

For the three months ended 31 March 2022, the Group recorded a sales revenue of approximately RMB13.1 million, which has slipped back slightly by approximately RMB0.5 million or 3.9% from that of approximately RMB13.6 million for the three months ended 31 March 2021. The reduction in the sales revenue was mainly attributable to the decrease in revenue generated from the sales of FRP grating products, the effect of which was however outweighed to a certain extent by the substantial increase in revenue generated from the sales of epoxy wedge strip products by approximately 31.4% during the three months ended 31 March 2022.



Beginning in March 2022, the PRC struggled to contain its worst outbreak of the COVID-19 pandemic through lockdown of major cities, in particular the financial hub of Shanghai, which is believed to have a significant adverse impact on the economy at large. In the first quarter of 2022, the gross domestic product (the “GDP”) of the PRC grew by 4.8% as compared to the corresponding period in 2021. This is in stark contrast to the first quarter of 2020 when the COVID-19 pandemic spread out from Wuhan, which shrank the GDP by 6.8%. However, the GDP in the first quarter does not fully reflect the lockdown impacts since the beginning of March 2022. It is expected that more pain will come in the second quarter of 2022.

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

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



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

Sales Performance

The Group posted a consolidated revenue of approximately RMB13.1 million for the three months ended 31 March 2022, representing a decrease of approximately RMB0.5 million or 3.9% as compared to the corresponding period in 2021. The decrease in revenue was primarily driven by the reduction in revenue generated from the sales of FRP grating products, which was mitigated by a substantial growth in the sales of epoxy wedge strip products. Moreover, sales for the domestic market increased by approximately 15.8% to approximately RMB10.4 million for the three months ended 31 March 2022 from approximately RMB8.9 million for the corresponding period in 2021. The domestic market contributed approximately 79.1% of total sales for the three months ended 31 March 2022, which increased by 13.5 percentage points in comparison with that of approximately 65.6% for the three months ended 31 March 2021.

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

	For the three months ended 31 March 2022		For the three months ended 31 March 2021	
	Sales revenue <i>RMB'000</i>	Gross profit margin %	Sales revenue <i>RMB'000</i>	Gross profit margin %
FRP grating products	4,013	24.6	6,710	24.4
Epoxy wedge strip products	9,081	25.7	6,913	22.0
	13,094	25.4	13,623	23.2

FRP grating products were mainly sold to corporate customers in the PRC who generally are end-users of such products, as well as distributors in the U.S. and the United Kingdom ("U.K.") who generally buy the products on per purchase order basis with no distribution arrangement. The revenue derived from sales of FRP grating products decreased by approximately RMB2.7 million or 40.2% from approximately RMB6.7 million for the three months ended 31 March 2021 to approximately RMB4.0 million for the three months ended 31 March 2022. This was mainly due to the significant decrease in 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. The gross profit margin for the three months ended 31 March 2022 nevertheless remained relatively stable as compared to the corresponding period in 2021.

During the three months ended 31 March 2022, sales of epoxy wedge strip products became the largest contributor to the Group's revenue and accounted for approximately 69.4% of the total revenue of the Group. Epoxy wedge strip products were developed and targeted for manufacturers of wind turbine blades in the PRC. The revenue derived from sales of epoxy wedge strip products increased by approximately RMB2.2 million or 31.4% from approximately RMB6.9 million for the three months ended 31 March 2021 to approximately RMB9.1 million for the three months ended 31 March 2022. This was mainly due to the resumption of confidence from customers in the wind turbine blades industry. The gross profit margin increased by 3.7 percentage points from approximately 22.0% for the three months ended 31 March 2021 to approximately 25.7% for the three months ended 31 March 2022. The increase in gross profit margin was attributable to the decrease in cost of sales resulting from the enhancement of production efficiency.

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

	For the three months ended 31 March 2022		For the three months ended 31 March 2021	
	Average selling price	Volume	Average selling price	Volume
	RMB		RMB	
FRP grating products	370.8	10,822 m²	276.0	24,314 m ²
Epoxy wedge strip products	53.9	168,559 m	70.1	98,579 m

The average selling price of the FRP grating products per m² increased by approximately RMB94.8 per m² or approximately 34.4% from RMB276.0 per m² for the three months ended 31 March 2021 to RMB370.8 per m² for the three months ended 31 March 2022, with a decrease in sales volume of approximately 55.5% 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.

The average selling price of the epoxy wedge strip products per m decreased by approximately RMB16.2 per m from RMB70.1 per m for the three months ended 31 March 2021 to RMB53.9 per m for the three months ended 31 March 2022, with an increase in sales volume of approximately 71.0% between the two periods. The decrease in average selling price was mainly attributable to the differences in product specifications in relation to different shapes, weight and dimension for the products sold in these two periods.

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

	For the three months ended 31 March	
	2022	2021
	RMB'000	<i>RMB'000</i>
PRC	10,359	8,943
U.S.	815	1,880
U.K.	1,173	1,638
Others	747	1,162
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Total	13,094	13,623
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Sales to the PRC market increased by approximately 15.8% from approximately RMB8.9 million for the three months ended 31 March 2021 to approximately RMB10.3 million for the three months ended 31 March 2022, which was mainly attributable to the significant increase in sales of epoxy wedge strip products to PRC customers during the three months ended 31 March 2022.

Sales to the U.S. market decreased by approximately 56.6% from approximately RMB1.9 million for the three months ended 31 March 2021 to approximately RMB0.8 million for the three months ended 31 March 2022, mainly because of the higher import tariff and the adverse impact of COVID-19 outbreak 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 28.4% from approximately RMB1.6 million for the three months ended 31 March 2021 to approximately RMB1.2 million for the three months ended 31 March 2022, mainly because of the decrease in sales orders from the major customers in the U.K. market resulting from the outbreak of COVID-19 pandemic.

Sales to the other locations decreased by approximately 35.7% from approximately RMB1.2 million for the three months ended 31 March 2021 to approximately RMB0.7 million for the three months ended 31 March 2022, mainly because of the decrease in sales orders from Denmark and Taiwan resulting from the outbreak of COVID-19 pandemic.

Operating Costs and Expenses

Distribution costs decreased significantly by approximately RMB458,000, a 48.3% reduction to approximately RMB490,000 for the three months ended 31 March 2022 from approximately RMB948,000 for the three months ended 31 March 2021. The decrease was mainly attributable to the decrease in wages and salaries, and customs declaration expenses.

Administrative expenses increased by approximately RMB422,000, a 17.8% growth to approximately RMB2.8 million for the three months ended 31 March 2022 from approximately RMB2.4 million for the three months ended 31 March 2021. The increase was mainly attributable to the increase in staff costs and rental expense.

Finance costs decreased significantly by approximately RMB57,000, a 90.5% reduction to approximately RMB6,000 for the three months ended 31 March 2022 from approximately RMB63,000 for the three months ended 31 March 2021. The decrease was mainly due to the repayment of bank loan during the year ended 31 December 2021.

Operating Results

The Group was able to turn around its operating results from a loss of approximately RMB468,000 for the three months ended 31 March 2021 to a profit of approximately RMB126,000 for the three months ended 31 March 2022 largely due to: (i) the increase in gross profit margin for the products sold by the Group during the three months ended 31 March 2022; (ii) 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 three months ended 31 March 2022.

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

As at 31 March 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) (the "**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 31 March 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 Division 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 31 March 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	31,880,000	8.0%

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

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

During the three months ended 31 March 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 three months ended 31 March 2022 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 have complied with such code of conduct and the required standard of dealings in the three months ended 31 March 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 three months ended 31 March 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 three months ended 31 March 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, 10 May 2022

As at the date of this report, the executive Directors are Mr. Li Yubao, 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 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