Yunhong Guixin Group Holdings Limited
運鴻硅鑫集團控股有限公司

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

*This announcement, for which the board (the "**Board**") of directors (the "**Directors**") of Yunhong Guixin Group Holdings Limited (the "**Company**") collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement herein or this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

RESULTS

The Board presents the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Note	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*4*	**47,546**	62,287
Cost of sales		**(38,044)**	(46,665)
Gross profit		**9,502**	15,622
Other revenue and other income	*5*	**193**	2,429
Other net gain	*5*	**288**	966
Impairment losses on contract assets and trade and other receivables, net	*14(b)*	**(8,094)**	(5,269)
Gain on disposal of a subsidiary		**–**	3,537
Distribution costs		**(2,014)**	(2,126)
Administrative expenses		**(9,958)**	(10,830)
(Loss) Profit from operations		**(10,083)**	4,329
Finance costs	*7(a)*	**(305)**	(60)
(Loss) Profit before taxation	*7*	**(10,388)**	4,269
Income tax credit (expenses)	*9*	**1,478**	(1,654)
(Loss) Profit and total comprehensive (loss) income for the year attributable to owners of the Company		**(8,910)**	2,615
		RMB cents	*RMB cents*
(Loss) Earnings per share			
Basic and diluted	*10*	**(2.23)**	0.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 *RMB'000*	2022 *RMB'000*
Non-current assets			
Property, plant and equipment	*11*	**26,668**	25,141
Right-of-use assets	*12*	**7,261**	8,409
Deferred tax assets		**2,836**	2,836
		36,765	36,386
Current assets			
Inventories		**4,081**	9,058
Contract assets	*13*	**1,203**	1,102
Trade and other receivables	*14*	**42,676**	51,584
Pledged bank deposits		**1,819**	–
Cash and cash equivalents		**7,263**	13,655
		57,042	75,399
Current liabilities			
Trade and other payables	*15*	**18,145**	21,310
Lease liabilities		**3,687**	2,793
Income tax payable		**2,229**	4,643
		24,061	28,746
Net current assets		**32,981**	46,653
Total assets less current liabilities		**69,746**	83,039
Non-current liabilities			
Lease liabilities		**3,759**	5,642
Deferred tax liabilities		**4,036**	6,536
		7,795	12,178
NET ASSETS		**61,951**	70,861
Capital and reserves			
Share capital		**3,600**	3,600
Reserves		**58,351**	67,261
TOTAL EQUITY		**61,951**	70,861

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

		Reserves						
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserve** *RMB'000*	**Property revaluation reserve** *RMB'000*	**Statutory reserve** *RMB'000*	**Retained profits** *RMB'000*	**Sub-total** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2022	3,600	20,900	9,557	11,132	8,287	14,770	64,646	68,246
Profit and total comprehensive income for the year	–	–	–	–	–	2,615	2,615	2,615
Release of property revaluation reserve to retained profits	–	–	–	(11,132)	–	11,132	–	–
Transfer to statutory reserve	–	–	–	–	420	(420)	–	–
At 31 December 2022	3,600	20,900	9,557	–	8,707	28,097	67,261	70,861
At 1 January 2023	**3,600**	**20,900**	**9,557**	**–**	**8,707**	**28,097**	**67,261**	**70,861**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(8,910)**	**(8,910)**	**(8,910)**
At 31 December 2023	**3,600**	**20,900**	**9,557**	**–**	**8,707**	**19,187**	**58,351**	**61,951**

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in (i) the research and development, production and sales of fiberglass reinforced plastic products; and (ii) sales of industrial silica sand material in the PRC.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards ("**HKFRSs**"), the collective term of which includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

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

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

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). Renminbi ("**RMB**") is the functional currency of all entities of the Group. These consolidated financial statements are presented in RMB and the figures are rounded to the nearest thousands of RMB ("**RMB'000**"), except for per share data, because the management evaluates the performance of the Group based on RMB.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a single transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

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

Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

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

3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the year ended 31 December 2023 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [1]
Amendments to HKAS 1	Non-current Liabilities with Covenants [1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements [1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback [1]
Amendments to HKAS 21	Lack of Exchangeability [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] The effective date to be determined

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

4. REVENUE

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of fiberglass reinforced plastic products		
– fiberglass reinforced plastic grating	**22,255**	28,853
– phenolic grating	**–**	21
– epoxy wedge strip	**25,291**	33,413
	47,546	62,287
Timing of revenue recognition		
At a point in time	**47,546**	62,287

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

5. OTHER REVENUE, OTHER INCOME AND OTHER NET GAIN

	2023	2022
	RMB'000	*RMB'000*
Other revenue		
Interest income on bank deposits	**106**	59
Rental income from investment property	**–**	1,752
Reversal of write-down of inventories	**–**	556
	106	2,367
Other income		
Government grants and other subsidies	**–**	24
Others	**87**	38
	87	62
	193	2,429
Other net gain		
Gain on disposal of property held for sale	**–**	265
Net foreign exchange gain	**288**	701
	288	966

6. SEGMENT REPORTING

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

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

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

(a) Segment results, assets and liabilities

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

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

	For the year ended 31 December 2023			
	Fiberglass business *RMB'000*	**Silica sand business** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue	**47,546**	**–**	**–**	**47,546**
Reportable segment loss	**(5,384)**	**(53)**	**(3,473)**	**(8,910)**
Amounts included in the measure of segment loss:				
Depreciation of property, plant and equipment	**(1,019)**	**–**	**–**	**(1,019)**
Depreciation of right-of-use asset	**(2,687)**	**(42)**	**(463)**	**(3,192)**
Impairment loss on contract assets	**(79)**	**–**	**–**	**(79)**
Impairment loss on trade and bills receivables	**(8,015)**	**–**	**–**	**(8,015)**
Research and development costs	**(1,448)**	**–**	**–**	**(1,448)**
Finance costs	**(294)**	**(11)**	**–**	**(305)**
Interest income on bank deposits	**106**	**–**	**–**	**106**
Reportable segment assets	**68,795**	**22,752**	**2,260**	**93,807**
Reportable segment liabilities	**17,037**	**2,918**	**11,901**	**31,856**
Additions to non-current segment assets during the year	**–**	**2,692**	**1,906**	**4,598**

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

(b) Geographic information

The following is an analysis of geographical location of the Group's revenue from external customers. The geographical location of customers refers to the location at which the goods were delivered.

	2023 *RMB'000*	2022 *RMB'000*
Local customers		
The PRC (excluding Hong Kong) (place of domicile)	**38,658**	51,366
Foreign customers		
The United States of America	**454**	2,470
The United Kingdom	**6,455**	7,102
France	**347**	823
Uruguay	**890**	–
Others	**742**	526
	8,888	10,921
	47,546	62,287

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

	2023	2022
	RMB'000	*RMB'000*
The PRC	**32,340**	33,374
Hong Kong	**1,589**	176
	33,929	33,550

(c) Information about major customers

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

	2023	2022
	RMB'000	*RMB'000*
Customer A	**6,467**	13,143
Customer B	**12,277**	11,233
Customer C	**5,954**	7,590
Customer D *(note)*	**5,007**	N/A

Note: Revenue from customer D did not contribute 10% or more of the total revenue of the Group during the year ended 31 December 2022.

7. (LOSS) PROFIT BEFORE TAXATION

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

	2023	2022
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank borrowings	**–**	44
Interest on lease liabilities	**305**	16
	305	60
(b) Employee benefits expenses (including directors' remuneration)		
Salaries, wages and other benefits	**8,215**	10,020
Contributions to defined contribution retirement plans	**606**	860
	8,821	10,880
(c) Other items		
Auditor's remuneration		
– auditor of the Company	**1,000**	2,054
– other auditors *(note (i))*	**29**	18
Cost of inventories *(note (ii))*	**36,359**	44,112
Depreciation of property, plant and equipment *(note 11)*	**1,019**	1,190
Depreciation of right-of-use asset *(note 12)*	**3,192**	192
Provision of impairment loss on contract assets *(note 13(b))*	**79**	51
Research and development costs *(note (iii))*	**1,448**	1,872
Reversal of write-down of inventories	**–**	(556)
Lease payment on short-term lease	**–**	2,183
Loss on disposal of property, plant and equipment	**–**	7

Notes:

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

(ii) Cost of inventories include RMB3,531,000 relating to employee benefits expenses and RMB718,000 relating to depreciation of property, plant and equipment (2022: RMB3,905,000 relating to employee benefits expenses, RMB807,000 relating to depreciation property, plant and equipment and RMB556,000 relating to reversal of write-down of inventories) for the year ended 31 December 2023, the amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(iii) Included in research and development costs are employee benefits expenses of RMB1,135,000 (2022: RMB1,202,000) and costs of materials consumed of RMB49,000 (2022: RMB370,000), the amounts of which are also included in the total amount separately disclosed for each of these types of expenses.

8. DIVIDENDS

The directors of the Company do not recommend the payment of any final dividend for the years ended 31 December 2023 and 2022.

9. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax recognised in profit or loss:

	2023 *RMB'000*	2022 *RMB'000*
Current tax		
The PRC Enterprise Income Tax ("**EIT**") on profits of a PRC subsidiary of the Group		
– current year	**1,022**	2,832
Deferred tax		
Origination and reversal of temporary differences in respect of		
– provision for impairment losses on contract assets and trade and other receivables	**–**	(1,317)
– withholding tax on distributed profits of a PRC subsidiary of the Group	**(2,500)**	–
– reversal of write-down of inventories	**–**	139
	(2,500)	(1,178)
Income tax (credit) expenses	**(1,478)**	1,654

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2023 and 2022, as the Group did not have assessable profits subject to Hong Kong Profits Tax during both years.

The PRC subsidiaries of the Group are subject to the PRC EIT at 25% (2022: 25%).

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for each of the years ended 31 December 2023 and 2022 has been based on the following data:

	2023 *RMB'000*	2022 *RMB'000*
(Loss) Earnings for the purpose of basic (loss) earnings per share		
(Loss) Earnings for the year attributable to the owners of the Company	**(8,910)**	2,615

	'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 loss per share for the year ended 31 December 2023 amounted to RMB2.23 cents (2022: basic earnings per share of RMB0.65 cents) per share.

Diluted (loss) earnings per share is the same as basic (loss) earnings per share as there were no potential ordinary shares outstanding during the years ended 31 December 2023 and 2022.

11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Leasehold improvement *RMB'000*	Furniture and fixtures *RMB'000*	Plant and equipment (including moulds) *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2022	–	66	450	19,767	1,092	21,375
Addition	19,908	–	–	488	–	20,396
Disposal	–	–	–	(563)	–	(563)
At 31 December 2022	19,908	66	450	19,692	1,092	41,208
At 1 January 2023	**19,908**	**66**	**450**	**19,692**	**1,092**	**41,208**
Addition	**2,546**	**–**	**–**	**–**	**–**	**2,546**
Transfer	**(371)**	**–**	**–**	**371**	**–**	**–**
At 31 December 2023	**22,083**	**66**	**450**	**20,063**	**1,092**	**43,754**
Accumulated depreciation:						
At 1 January 2022	–	–	408	14,123	851	15,382
Charge for the year	–	13	–	1,088	89	1,190
Disposal	–	–	–	(505)	–	(505)
At 31 December 2022	–	13	408	14,706	940	16,067
At 1 January 2023	**–**	**13**	**408**	**14,706**	**940**	**16,067**
Charge for the year	**–**	**13**	**–**	**950**	**56**	**1,019**
At 31 December 2023	**–**	**26**	**408**	**15,656**	**996**	**17,086**
Carrying amounts:						
At 31 December 2023	**22,083**	**40**	**42**	**4,407**	**96**	**26,668**
At 31 December 2022	19,908	53	42	4,986	152	25,141

As at 31 December 2023, included in plant and equipment are moulds amounting to RMB970,000 (2022: RMB1,097,000), whose costs of RMB8,484,000 (2022: RMB8,484,000) are depreciated on a straight-line basis over their estimated useful lives of 10 years.

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

12. RIGHT-OF-USE ASSETS

	2023 *RMB'000*	2022 *RMB'000*
Cost		
At 1 January	**8,631**	350
Adjustment upon modification of lease	**(8)**	–
Additions arising from new leases	**2,052**	8,281
At 31 December	**10,675**	8,631
Accumulated depreciation		
At 1 January	**222**	30
Depreciation charged for the year	**3,192**	192
At 31 December	**3,414**	222
Carrying amount	**7,261**	8,409

The Group's right-of-use assets in respect of leases of land, various offices, manufacturing premise and staff quarter (2022: offices and manufacturing premise), which are typically made for fixed periods of 2 to 10 years (2022: 2 to 3 years). Lease terms are negotiated on an individual basis and contain similar terms and conditions.

During the year ended 31 December 2023, the land was leased from a company which the ultimate controlling shareholder of the Company has beneficial interest. Total capital value at the inception of the lease was amounting to approximately RMB146,000.

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

Restrictions or covenants

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

13. CONTRACT ASSETS

	2023 *RMB'000*	2022 *RMB'000*
Contract assets		
Retention monies receivables	**1,389**	1,209
Less: allowance for lifetime expected credit losses *(note 14(b))*	**(186)**	(107)
	1,203	1,102
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" *(note 14)*	**41,638**	50,315

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

	2023	2022
	RMB'000	*RMB'000*
As at 1 January	**1,102**	1,648
Transferred to trade receivables	**(849)**	(1,188)
Recognition of revenue	**1,029**	693
Impairment loss recognised for contract assets	**(79)**	(51)
As at 31 December	**1,203**	1,102

Notes:

(a) The contract assets primarily relate to the Group's rights to consideration for goods transferred by the Group to the customers for which the rights to consideration are still conditional upon the customers' satisfaction on the quality of the goods sold which is typically at the expiry date of the assurance-type warranty period, as stipulated in the contracts.

The contract assets are transferred to trade receivables when the rights to consideration become unconditional.

At 31 December 2023 and 2022, included in contract assets were retention monies receivable from the contract customers amounting to RMB1,389,000 and RMB1,209,000 respectively. The terms and conditions for the release of retention monies by the contract customers vary from contract to contract, which are subject to the customers' satisfaction of quality upon the expiry of the assurance-type warranty period. The retention monies receivable from the contract customers generally represents 5% to 10% of the total consideration of the relevant contracts, that are retained by the contract customers as securities for non-performance protection, and the Group's entitlement to payment of retention monies receivable are conditional upon the contract customers' physical inspection of the quality of the goods at the expiry of the assurance-type warranty period. In the opinion of the directors of the Company, the retention monies retained by the contract customers under the contracts are not intended as a financing arrangement by the Group to the contract customers.

(b) Impairment assessment of the contract assets

Contract assets are related to the retention monies receivables, which have substantially the same characteristics as the trade receivables for the same types of the contract. The Group's contract customers are mainly with high credit rating and their payment history with the Group are considered to be good. There are no material disputes or claims received from the contract customers of the relevant contracts and the Group considered that there has not been a significant change in credit quality of the contract customers. The Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the rates for contract assets. Since the payment is not due, the expected loss rate of contract assets is assessed to be minimal and accordingly, the net carrying amount of contract assets is still considered fully recoverable at the end of each reporting period. The Group does not hold any collateral as security for the contract assets at the end of each reporting period.

As at 31 December 2023, allowance for contract assets amounting to RMB186,000 (2022: RMB107,000) was provided according to the lifetime expected credit loss rates and provision of impairment loss of RMB79,000 (2022: RMB51,000) was made on contract assets for the year ended 31 December 2023.

14. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**36,443**	41,161
Bills receivables	**21,919**	17,863
	58,362	59,024
Less: allowance for lifetime expected credit losses	**(16,724)**	(8,709)
Trade and bills receivables, net *(notes (a) and (b))*	**41,638**	50,315
Other receivables	**1,183**	1,032
Less: allowance for 12-month expected credit losses	**(471)**	(471)
Other receivables, net	**712**	561
Financial assets measured at amortised cost	**42,350**	50,876
Prepayments	**326**	708
	42,676	51,584

The Group has an unconditional right to all of the trade and other receivables which are expected to be recovered and/or recognised as expenses within one year or repayable on demand.

The Group determines the provision for impairment of trade and bills receivables on a forward-looking basis and lifetime expected credit losses are recognised from initial recognition of the assets and remeasured at the end of each reporting period.

The provision matrix is determined based on the Group's historical observed bad debt loss rates over the expected life of the trade and bills receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

Other receivables are considered for 12-month expected credit losses. No provision for 12-month credit losses on the other receivables has been made for the years ended 31 December 2023 and 2022. There was no significant change in credit risk and the default risk was considered as low for the remaining balance of the other receivables.

In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to meet their obligations.

At the end of each reporting period, the historical observed bad debt loss rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

(a) Ageing analysis

An ageing analysis of trade and bills receivables (net of allowance for lifetime expected credit losses), based on the invoice date, is as follows:

	2023 *RMB'000*	2022 *RMB'000*
0 – 30 days	**6,471**	31,323
31 – 90 days	**5,374**	10,280
91 – 180 days	**5,910**	4,225
181 – 365 days	**11,376**	3,783
Over 365 days	**12,507**	704
	41,638	50,315

The Group generally granted credit terms to its customers for trade and bills receivables ranging from cash on delivery to 180 days (2022: 180 days) after the invoice date.

(b) Impairment of contract assets and trade and bills receivables

Impairment loss in respect of contract assets and trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against contract assets and trade and bills receivables directly.

Allowance for lifetime expected credit losses at the end of the reporting period

	2023 *RMB'000*	2022 *RMB'000*
– Trade and bills receivables	**16,724**	8,709
– Contract assets *(note 13)*	**186**	107
	16,910	8,816

Movements in the allowance for lifetime expected credit losses

	2023 *RMB'000*	2022 *RMB'000*
At 1 January	**8,816**	3,774
Impairment loss recognised		
– contract assets	**79**	51
– trade and bills receivables	**8,015**	5,218
	8,094	5,269
Bad debt written off	**–**	(227)
At 31 December	**16,910**	8,816

As at 31 December 2023, allowance for contract assets and trade and bills receivables amounting to RMB16,910,000 (2022: RMB8,816,000) was provided according to the lifetime expected credit loss rates and adjusted for forward-looking estimates. Accordingly, provision for lifetime expected credit losses of RMB8,094,000 (2022: RMB5,269,000) was recognised for the year ended 31 December 2023.

15. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**2,061**	3,649
Bills payables	**897**	8,973
Trade and bills payables *(note (a))*	**2,958**	12,622
Other payables		
Amounts due to a director *(note (b))*	**7,039**	606
Amount due to a shareholder *(note (c))*	**637**	586
Employee benefits payables	**1,914**	2,432
Other tax payables	**644**	1,685
Accrual for professional services fee	**1,600**	2,054
Contract liabilities *(note (d))*	**179**	992
Payables for construction in progress *(note (e))*	**2,546**	–
Others	**628**	333
	15,187	8,688
	18,145	21,310

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

The credit period of bills payables is normally within 90 to 270 days. As at 31 December 2023 and 2022, the bills payables is expected to be settled within one year.

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

	2023	2022
	RMB'000	*RMB'000*
0 – 30 days	**2,303**	10,986
31 – 90 days	**106**	900
91 – 180 days	**33**	93
Over 180 days	**516**	643
	2,958	12,622

(b) Amounts due to a director

	2023 *RMB'000*	2022 *RMB'000*
Amounts due to Zhang Yaping	**7,039**	606

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

(c) Amount due to a shareholder

	2023 *RMB'000*	2022 *RMB'000*
Amount due to Yunhong Group Co., Limited	**637**	586

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

(d) Contract liabilities

	2023 *RMB'000*	2022 *RMB'000*
Contract liabilities – third parties	**179**	992

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

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

	2023 *RMB'000*	2022 *RMB'000*
As at 1 January	**992**	167
Recognised as revenue	**(934)**	(128)
Receipt of advances or recognition of receivables	**121**	953
As at 31 December	**179**	992

For the year ended 31 December 2023, the decrease in contract liabilities was mainly due to recognition of revenue, thereby decreasing the amount arising from the receipt of advances or recognition receivables.

As at 31 December 2023, most of the contract liabilities are expected to be settled within next 12 months.

(e) The amounts payable for construction in progress are expected to settle within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

The Group is an established and leading manufacturer in the PRC engaged in the research and development, production and sale of a variety of fiberglass reinforced plastic ("**FRP**") products. The Group's major products consist of: (i) FRP grating products; and (ii) epoxy wedge strip products.

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

Given that FRP delivers outstanding performance as a relatively new type of material and serves as a substitute for traditional materials such as wood, concrete and metal, along with the potential application of products made of FRP composites in a wide range of fields such as aerospace, energy and transportation industries, the management expects that the overall FRP market in China will grow at a steady pace in the coming years. The growth is anticipated due to the gradual maturity and better understanding of the FRP market.

The Group continues to enhance product recognition by improving production technology in order to maintain effective cost control and strengthen the competitiveness. The Board believes that research and development capabilities are essential to the future growth of the Group. The Group will further enhance its research and development capabilities by controlling material sourcing, purchasing new equipment and engaging professionals and technicians for research and development in order to offer more competitive and high-quality products.

Leveraging on market trend information gathered by the sales and marketing team and participation in drafting the PRC industry standards, the Group constantly keeps track of developments and trends in the FRP industry around the world. Over the past years, the Group has kept abreast of the PRC government's macroeconomic stimulus when carrying out the research and development works. Moreover, the Group adheres to the policy in promoting its products in countries along the "Belt and Road Initiatives". With all these efforts, the Group is hopeful that performance of the Group's FRP products would be further enhanced in the coming years.

It is generally believed that effective marketing is important in capturing the market share and attracting potential customers and as such, for the year ended 31 December 2023, the Group continued to undertake the following marketing activities:

i. placing advertisements on the Internet such as an online trading platform Made-in-China.com (www.made-in-china.com), and entering into promotion agreements with online search engine service provider to attract new customers;

ii. identifying suitable tender invitation mainly by online advertisements and industry periodicals; and

iii. contacting existing customers regularly to enhance their knowledge on the Group's products and competitive advantages, to promote new products, to understand their specific needs, to obtain feedbacks on the products and to get a better understanding on the market trends.

With regard to the environmental aspect, the Group is committed to minimizing any negative impact on the environment that may be resulted from the production process. During the year ended 31 December 2023, the Group had no material non-compliance or violation of any relevant laws and regulations of the PRC on environmental protection.

With the extensive experience and market recognition of products that the Group has accumulated for more than a decade, as well as the expanding customer base, the Board is of the view that the Group is more well-positioned than other domestic enterprises in the industry to further develop and expand its markets and products in order to capture the moderate growth of the FRP grating products market in the future.

During the year ended 31 December 2023, the production site located in Inner Mongolia was still under construction and the progress is ongoing according to schedule. It is expected that the construction will be completed in the first half of 2024. With the development of domestic glass, building material, petroleum and silicon chemical industries in the PRC over the years, the demand of the silica sand materials in domestic market is growing continuously. The Group plans to commence the production and sales of industrial silica sand materials in the second half of 2024, which is expected to bring remarkable economic benefits to the Group.

SALES PERFORMANCE

The Group recorded a consolidated revenue of approximately RMB47.5 million for the year ended 31 December 2023, representing a decrease of approximately RMB14.7 million or 23.7% compared to the year ended 31 December 2022. The decrease in revenue was mainly due to the decrease in sales of FRP grating products and epoxy wedge strip products. Additionally, sales for the domestic market decreased by approximately 24.7% from approximately RMB51.4 million for the year ended 31 December 2022 to approximately RMB38.7 million for the year ended 31 December 2023. The domestic market contributed approximately 81.3% of total sales for the year ended 31 December 2023, which represented a decrease of 1.2 percent points compared to approximately 82.5% for the year ended 31 December 2022.

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

	For the year ended 31 December			
	2023		2022	
	Sales revenue	**Gross profit margin**	Sales revenue	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
FRP grating products	**22,255**	**29.9**	28,853	32.0
Phenolic grating products	**–**	**–**	21	29.5
Epoxy wedge strip products	**25,291**	**11.2**	33,413	19.1
	47,546	**20.0**	62,287	25.1

FRP grating products were mainly sold to corporate customers in the PRC who are generally end-users of such products, as well as to distributors in the United States of America ("**U.S.**") and the United Kingdom ("**U.K.**") who purchase the products on per order basis with no distribution arrangement. The revenue generated from sales of FRP grating products decreased by approximately RMB6.6 million or 22.9% from approximately RMB28.9 million for the year ended 31 December 2022 to approximately RMB22.3 million for the year ended 31 December 2023. The decrease was primarily due to the decrease in revenue generated from the overseas and domestic markets. The gross profit margin decreased by 2.1 percent points from 32.0% for the year ended 31 December 2022 to 29.9% for the year ended 31 December 2023, which was mainly attributable to the fact that the production fixed overhead cost per unit has increased during the year ended 31 December 2023.

Epoxy wedge strip products were developed and targeted for manufacturers of wind turbine blades in the PRC. The revenue generated from sales of epoxy wedge strip products decreased by approximately RMB8.1 million from approximately RMB33.4 million for the year ended 31 December 2022 to approximately RMB25.3 million for the year ended 31 December 2023. The decrease was mainly due to receiving fewer construction contracts from manufacturers of wind turbine blades in the PRC during the year ended 31 December 2023, resulting in fewer sales order made to the Group by those manufacturers in the current year. The gross profit margin decreased by approximately 7.9 percent points from approximately 19.1% for the year ended 31 December 2022 to approximately 11.2% for the year ended 31 December 2023. The decrease in gross profit margin was attributable to the decrease in selling price, influenced by the economic downturn and the competitive fiberglass market, and the increase of production fixed overhead cost per unit during the year ended 31 December 2023.

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

	For the year ended 31 December			
	2023		2022	
	Average selling price per unit	**Volume**	Average selling price per unit	Volume
	RMB		*RMB*	
FRP grating products	**386.3**	**57,617 m^2**	405.8	71,094 m^2
Phenolic grating products	**–**	**–**	824.7	25 m^2
Epoxy wedge strip products	**51.7**	**489,239 m**	55.5	601,804 m

The average selling price of the FRP grating products per square meter decreased by approximately RMB19.5 per square meter or approximately 4.8% from RMB405.8 per square meter for the year ended 31 December 2022 to RMB386.3 per square meter for the year ended 31 December 2023, in addition to a decrease in sales volume of approximately 19.0% between the two years. The decrease in average selling price was mainly due to the decrease in selling price of FRP grating products, in order to maintain the competitiveness within the industry.

The average selling price of the epoxy wedge strip products per meter decreased by approximately RMB3.8 per meter from RMB55.5 per meter for the year ended 31 December 2022 to RMB51.7 per meter for the year ended 31 December 2023, with a decrease in sales volume of approximately 18.7% between the two years. The decrease in average selling price, same as the above, was mainly due to the decrease in selling price of epoxy wedge strip products, in order to maintain the competitiveness within the industry.

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

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong) (place of domicile)	**38,658**	51,366
U.S.	**454**	2,470
U.K.	**6,455**	7,102
Others	**1,979**	1,349
Total	**47,546**	62,287

Sales to the PRC market decreased by approximately 24.7% from approximately RMB51.4 million for the year ended 31 December 2022 to approximately RMB38.7 million for the year ended 31 December 2023. The decrease was mainly attributable to the reduction in sales of epoxy wedge strip products during the year ended 31 December 2023.

Sales to the U.S. market decreased by approximately 81.6% from approximately RMB2.5 million for the year ended 31 December 2022 to approximately RMB0.5 million for the year ended 31 December 2023. The decrease was mainly due to the higher import tariffs imposed by the U.S. government, which suppressed the demands for the Group's products in the U.S. market.

Sales to the U.K. market decreased by approximately 9.1% from approximately RMB7.1 million for the year ended 31 December 2022 to approximately RMB6.5 million for the year ended 31 December 2023. The decrease was mainly due to the decrease in sales orders from the major customers in the U.K. market resulting from the adverse impact of the global economy downturn.

OPERATING COSTS AND EXPENSES

Distribution costs decreased by approximately RMB0.1 million or 5.3% from approximately RMB2.1 million for the year ended 31 December 2022 to approximately RMB2.0 million for the year ended 31 December 2023.

Administrative expenses decreased by approximately RMB0.9 million or 8.1% from approximately RMB10.8 million for the year ended 31 December 2022 to approximately RMB10.0 million for the year ended 31 December 2023. The decrease was mainly attributable to the reduction in staff costs and a decrease in research and development expenses for the year ended 31 December 2023.

OPERATING RESULTS

The Group recorded a net loss of approximately RMB8.9 million for the year ended 31 December 2023, decreased by RMB11.5 million from net profits of approximately RMB2.6 million for the year ended 31 December 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations primarily through cash generated from operating activities. As at 31 December 2023, the Group did not have any bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no contingent liabilities (2022: Nil).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB. The management of the Group has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign exchange risk during the business operation. The exposure of foreign exchange risk is mainly due to the purchase of the equipment from other countries and the management controls on the payment schedule to reduce the foreign exchange risk. Save for certain accounts receivables in U.S., the impact of foreign exchange risk on the Group was minimal and there was no significant adverse effect on normal operations. During the year ended 31 December 2023, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

CHARGES ON GROUP ASSETS

As at 31 December 2023, an aggregate amount of RMB1,819,000 was placed in a bank account and pledged in favour of banks for bill issuance (2022: the Group did not pledge any of its assets).

CAPITAL STRUCTURE

As at 31 December 2023, the share capital and total equity attributable to equity holders of the Company amounted to approximately RMB3,600,000 (2022: RMB3,600,000) and RMB61,951,000 (2022: RMB70,861,000) respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 60 employees (2022: 65). The total staff costs including Directors' remuneration for the year were approximately RMB8.8 million (2022: approximately RMB10.9 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses were offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual review system to assess the performance of staff, which forms the basis of decisions with respect to salary rises and promotions.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

There were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2023.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries and affiliated companies as at 31 December 2023.

EVENT AFTER THE REPORTING PERIOD

The trading of the Company's shares on the GEM of the Stock Exchange was suspended from 3 April 2023. As the Company has fulfilled all the resumption guidance set out by the Stock Exchange on 27 June 2023, trading of the Company's shares was resumed on 18 March 2024. Details of the resumption guidance set out by the Stock Exchange and resumption of trading are set out in the Company's announcements dated 30 June 2023 and 15 March 2024, respectively.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary results announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2023. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on this preliminary results announcement.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix C1 to the GEM Listing Rules as its own code of corporate governance. Throughout the year ended 31 December 2023, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code as set out in Appendix C1 to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

COMPETING INTERESTS

The Directors confirm that none of the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 December 2023.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' dealing in securities of the Company. All Directors confirmed that they complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2023.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 16 December 2016 in accordance with the requirements of the GEM Listing Rules. The Audit Committee currently comprises of all three independent non-executive Directors, Mr. Ng Sai Leung, as the chairman, Mr. Tam Tak Kei Raymond and Mr. Lee Man Tai as the members. The Audit Committee examined the accounting principles and practices adopted by the Group and discussed with the management its internal controls. The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2023.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.nantongrate.com). The annual report of our Company for the year ended 31 December 2023 will be sent to our Company's shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 27 March 2024

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Information" page for 7 days from the date of its publication and on the website of the Company at www.nantongrate.com.