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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)

DISCLOSEABLE TRANSACTIONS PRODUCTION AND INSTALLATION CONTRACTS

THE CONTRACTS

Guogui, an indirect wholly-owned subsidiary of the Company, entered into (i) Contract I with Supplier I for the production and installation of Equipment I at a consideration of RMB7,656,546 and (ii) Contract II with Supplier II for the production and installation of Equipment II at a consideration of RMB6,342,421, on 17 November 2022 and 20 November 2022 respectively.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of each of the Contracts exceed 5% but all relevant percentage ratios were less than 25%, each of the Contracts constituted a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and was subject to notification and announcement requirements under rule 19.34 of the GEM Listing Rules.

INADVERTENT BREACH OF RULE 19.34 OF THE GEM LISTING RULES

During the approval of and entering into the Contracts by Guogui at the relevant time, the participating Director genuinely considered and believed that the production and installation of Equipment for the purpose of constructing a production line for Guogui were part of the Group's ordinary and usual course of business and were therefore exempt from compliance with requirements under Chapter 19 of the GEM Listing Rules. In the course of preparation of the annual results of the Group for the year ended 31 December 2022, the Contracts were disclosed to the Stock Exchange and the Company. The Stock Exchange is of the view that the Contracts were capital in nature, which should fall under the definition of a transaction under rule 19.04(1) of the GEM Listing Rules.

The Company admits its delay in compliance with the aforesaid requirements under GEM Listing Rules due to the above reasons. The Company understands that it should have published an announcement as soon as possible and regrettably admits that it had technically, but not negligently nor intentionally breached rule 19.34 of the GEM Listing Rules.

INTRODUCTION

Guogui, an indirect wholly-owned subsidiary of the Company, entered into (i) Contract I with Supplier I for the production and installation of Equipment I at a consideration of RMB7,656,546 and (ii) Contract II with Supplier II for the production and installation of Equipment II at a consideration of RMB6,342,421, on 17 November 2022 and 20 November 2022 respectively.

PRODUCTION AND INSTALLATION CONTRACTS

CONTRACT I

The major terms of the Contract I are summarised as follows:

Date

17 November 2022

Parties

- (a) Guogui (an indirect wholly-owned subsidiary of the Company)
- (b) Supplier I

Services to be provided

The production and installation of Equipment I at the construction site located in Inner Mongolia, PRC, which has commenced on 17 November 2022.

Consideration and payment terms

The total consideration is RMB7,656,546. The consideration was arrived at after arm's length negotiations between Guogui and Supplier I after taking into account (i) the price of similar equipment in the market; and (ii) reasons and benefits of entering into Contract I for the Group in respect thereof as described under the paragraph headed "Reasons and benefits of entering into the Contracts" below.

Due to Covid-19, there had been significant changes in epidemic prevention and control policies in various regions, resulting the inability to complete the transaction according to the original schedule in Contract I. Guogui and Supplier I had agreed to make payments based on the actual progress.

As at the date of this announcement, the total consideration has been paid to Supplier I in the following manner:

- (a) 97.5% of the total consideration, being RMB7,465,132.35 was paid to Supplier I;
- (b) 2.5% of the total consideration, being RMB38,282.73 will be paid to Supplier I upon the completion of the remaining progress of Contract I, i.e. the inspection and testing of the Equipment I which are expected to be completed by the end of April 2024.

The consideration is financed by internal resources of the Group.

Duties and responsibilities of the Parties under Contract I

Guogui

- (1) To make all payments on time;
- (2) To provide water and electricity to the Supplier I for the production and installation of Equipment I; and
- (3) To be responsible for handling the necessary permits allowing Supplier I entering into the construction site of Equipment I.

Supplier I

- (1) To complete the services in accordance with the requirements of Contract I;
- (2) To provide safety training and insurance to on site workers; and
- (3) To supervise the quality, progress and safety of the services.

CONTRACT II

The major terms of the Contract II are summarised as follows:

Date

20 November 2022

Parties

- (a) Guogui (an indirect wholly-owned subsidiary of the Company)
- (b) Supplier II

Services

The production and installation of Equipment II at the construction site located in Inner Mongolia, PRC, which has commenced on 20 November 2022.

Consideration and payment terms

The total consideration is RMB6,342,421. The consideration was arrived at after arm's length negotiations between Guogui and Supplier II after taking into account (i) the price of similar equipment in the market; and (ii) reasons and benefits of entering into Contract II for the Group in respect thereof as described under the paragraph headed "Reasons and benefits of entering into the Contracts" below.

Due to Covid-19, there had been significant changes in epidemic prevention and control policies in various regions, resulting the inability to complete the transaction according to the original schedule in Contract II. Guogui and Supplier II had agreed to make payments based on the actual progress.

As at the date of this announcement, the total consideration has been paid to Supplier II in the following manner:

- (a) 95% of the total consideration, being RMB6,025,299.95 was paid to Supplier II;
- (b) 5% of the total consideration, being RMB317,121.05 will be paid to Supplier II upon the completion of the remaining progress of Contract II, i.e. the inspection and testing of the Equipment II which are expected to be completed by the end of April 2024.

The consideration is financed by internal resources of the Group.

Duties and responsibilities of the Parties

Guogui

- (1) To make all payments on time;
- (2) To provide water and electricity to the Supplier II for the production and installation of Equipment II; and
- (3) To be responsible for handling the necessary permits allowing Supplier II entering into the construction site of Equipment II.

Supplier II

- (1) To complete the services in accordance with the requirements of Contract II.
- (2) To provide safety training and insurance to on site workers; and
- (3) To supervise the quality, progress and safety of the services.

INFORMATION ON THE PARTIES

The principal activity of the Company is investment holding. The Group is principally engaged in research and development, production and sales of fiberglass reinforced plastic products in the PRC.

Guogui is an indirect wholly-owned subsidiary of the Company and is principally engaged in the sales of industrial silica sand material in the PRC.

Supplier I is a sole proprietor in PRC, principally engaged in the construction and installation industry, offering a wide range of services such as electrical welding, equipment fabrication and installation, color steel , door and window machining, lathe machining and repair.

Supplier II is a company established in the PRC with limited liability, it is principally engaged in fabrication and installation of equipment and piping, earthwork and structural steelwork construction, as well as welding and mechanical fabrication and is ultimately controlled by Zhang Bingwen.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Supplier I and Supplier II and their ultimate beneficial owners are Independent Third Parties at the relevant times.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACTS

Due to the fast pace development of the trends of materials in demand and sales of industrial silica sand material, the Group decided to start a business in industrial silica sand in 2022. The Board believed that a secured and reliable production plant of industrial silica sand was an important infrastructure for Guogui.

The Board believes that the demand for industrial silica sand will sharply increase in the near future. The Board considers that the entering into the Contracts represented a good opportunity for the Group to further strengthen and develop Guogui's business in sales of industrial silica sand, and expected the entering into the Contracts to bring a positive impact on the performance of the relevant business segment of the Company and has the potential to generate a significant business volume and profit for the Company.

The Directors consider that the terms of the Contracts at the relevant times were on normal commercial terms and were fair and reasonable and that the Contracts were in the interest of the Company and its shareholders as a whole.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios in respect of each of the Contracts exceed 5% but all relevant percentage ratios were less than 25%, each of the Contracts constituted a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and was subject to notification and announcement requirements under rule 19.34 of the GEM Listing Rules.

INADVERTENT BREACH OF RULE 19.34 OF THE GEM LISTING RULES

During the approval of and entering into the Contracts by Guogui at the relevant time, the participating Director genuinely considered and believed that the production and installation of Equipment for the purpose of constructing a production line for Guogui were part of the Group's ordinary and usual course of business and were therefore exempt from compliance with requirements under Chapter 19 of the GEM Listing Rules. In the course of preparation of the annual results of the Group for the year ended 31 December 2022, the Contracts were disclosed to the Stock Exchange and the Company. The Stock Exchange is of the view that the Contracts were capital in nature, which should fall under the definition of a transaction under rule 19.04(1) of the GEM Listing Rules.

The Company admits its delay in compliance with the aforesaid requirements under GEM Listing Rules due to the above reasons. The Company understands that it should have published an announcement as soon as possible and regrettably admits that it had technically, but not negligently nor intentionally breached rule 19.34 of the GEM Listing Rules.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with the GEM Listing Rules but the Company would like to stress that the non-compliance of the GEM Listing Rules was inadvertent and unintentional. To prevent the re-occurrence of similar incidents in the future, the Company has implemented the following remedial actions:

1. the Company shall enhance the training provided to the Directors, the senior management and staff of the Group, including inviting external legal advisors to give seminars on the compliance requirements and practical knowledge of notifiable transactions to its staff on a regular basis;
2. the Company shall also remind its management and the respective person-in-charge of the Group's business units to report those transactions which may constitute potential notifiable transactions to the Board for approval and assessment of the disclosure obligations prior to the entering into of those transactions; and
3. the Company shall maintain closer cooperation with the professional advisers of the Company in relation to regulatory compliance.

The Group shall continue to enhance its internal control management and strictly control the audit regarding compliance and risk control matters of its business, thereby avoiding the re-occurrence of similar incidents.

DEFINITIONS

“Board”	the board of Directors
“Company”	Yunhong Guixin Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8349)
“Contracts”	Contract I and Contract II
“Contract I”	the contract entered into between Guogui and Supplier I on 17 November 2022 in respect of the production and installation of Equipment I
“Contract II”	the contract entered into between Guogui and Supplier II on 20 November 2022 in respect of the production and installation of Equipment II
“Director(s)”	the director(s) of the Company
“Equipment I”	set of drying production line equipment and auxiliary parts with specific specifications and configuration, purchased under Contract I
“Equipment II”	set of screening production line equipment and auxiliary parts with specific specifications and configuration, purchased under Contract II
“Group”	the Company and its subsidiaries
“GEM Listing Rules”	the rules governing the listing of securities on the GEM board of the Stock Exchange
“Guogui”	Guogui New Material (Inner Mongolia) Company Limited (formerly known as Guogui New Material (Liaoning) Company Limited*) (國硅新材料(遼寧)有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	a party independent of and not connected with the Company and its connected person(s)
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier I”	Horqin Zuoyihou Banner Ganqi Ka Zhang Bingwen Equipment Manufacturing and Installation Department* (科爾沁左翼後旗甘旗卡張丙文設備製作安裝部), a sole proprietor in PRC
“Supplier II”	Tongliao Chengtian Construction and Installation Company Limited* (通遼市承天建築安裝有限公司) a company incorporated in the PRC with limited liability
“%”	per cent

* For identification purpose only

By Order of the Board
Yunhong Guixin Group Holdings Limited
Li Yubao
Chairman and Executive Director

Hong Kong, 13 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

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 posting and on the website of the Company at www.nantongrate.com.